

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
SEPTEMBER 25, 2013
APPLICATION SUMMARY**

NAME OF PROJECT: CSPM Surgery Center

PROJECT NUMBER: CN1306-021

ADDRESS: 7446 Shallowford, Suite #102
Chattanooga (Hamilton County), Tennessee 37421

LEGAL OWNER: CSPM Surgery Center, LLC
1413 Chattanooga Avenue
Dalton (Whitfield County), Georgia 30720

OPERATING ENTITY: Not Applicable

CONTACT PERSON: Douglas S. Griswold
(423) 757-0262

DATE FILED: June 14, 2013

PROJECT COST: \$683,350

FINANCING: Commercial Loan

PURPOSE OF REVIEW: Establishment of a single specialty ambulatory surgical treatment center limited to pain management

DESCRIPTION:

CSPM Surgery Center is seeking approval to establish a one operating room single specialty ambulatory surgical treatment center (ASTC) that is limited to pain management procedures for the patients of Spine and Pain Medicine, P.C.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

Ambulatory Surgical Treatment Centers (*Revised May 23, 2013*)

The following apply:

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1. Need. The minimum numbers of 884 Cases per Operating Room and 1867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need.² An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

The applicant is projecting 500 cases in Year One (2014) and 550 cases in Year Two (2015). All procedures will be performed in a single procedure room initially one day per week. The facility will be a Specialty ASTC since it will be limited to pain management procedures.

Since the applicant does not expect to attain the minimum cases standard, it appears this criterion has not been met.

2. Need and Economic Efficiencies. An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

Based on an average of 20 minutes per case, the projected surgical hours will be 3.20 hours per week or 166.4 hours in Year One and 3.52 hours per week or 183 hours in Year Two.

It appears this criterion has been met.

3. Need; Economic Efficiencies; Access. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available³) OR b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

The applicant has provided a utilization table of all ASTCs in the proposed service area for 2010, 2011 and 2012. The tables are located on page 19 of the supplemental.

It appears this criterion has been met.

4. Need and Economic Efficiencies. An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

The applicant will only be serving the patients of CSPM. There is one Pain Management Specialty ASTC in the service area and one in nearby Dalton, Georgia (Chattanooga Pain Surgery Center and the applicant's ASTC in Dalton, Georgia, CSPM Dalton ASTC). In 2012, the CSPM Dalton ASTC (self-reported) performed 1,776 cases which represented a utilization rate of 95%. The utilization rate of Chattanooga Pain Surgery Center cannot be calculated because the Joint Annual Report does not currently differentiate between operating room and procedure room utilization.

There are also six multi-specialty ASTCs operating in the proposed service area which provided 30,714 surgical cases in 2012, of which 2,819 (9.2%) were pain management procedures.

The measurement of this criterion cannot currently be determined.

5. Need and Economic Efficiencies. An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

500 cases are projected in Year One and 550 cases in Year two. The applicant projects a 10% increase yearly. The projections are based on cases lasting 15-30 minutes in length. All cases will be performed in a procedure room. The applicant will only be serving patients of the CSPM medical practice. There is currently no public data available that reports surgical cases by procedure room and operating room separately. The Department of Health is making changes to the ASTC JAR form to capture this data in the future.

It is not known if this criterion is met

6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

The average drive time is 30 minutes

It appears this criterion has been met.

7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available

The nearest public transit bus is located nearby at Hamilton Place Mall. County provided public transportation is available.

It appears this criterion has been met.

8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

75% of patients will originate from Hamilton, Bradley, Rhea, and McMinn Counties, 15% from Sequatchie, Polk and Marion, and 10% from Catoosa and Whitfield Counties in Georgia.

It appears this criterion has been met.

9. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

Projected utilization ranges from 120 cases in the first quarter to 145 cases in the eighth quarter.

It appears this criterion has been met.

10. Patient Safety and Quality of Care; Health Care Workforce.

- a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

The applicant states that the office-based surgical suite is accredited by the Joint Commission as an Ambulatory Care Program and the ASTC will be accredited under the Ambulatory Care Program as well.

It appears this criterion has been met.

- b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

Dr. Sadiq Sohani, Board Certified in Anesthesiology, will be the only physician providing services.

It appears this criterion has been met.

- 11 Access to ASTCs. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

Rhea and McMinn are designated as medically underserved areas as designated by the United States Health Resources and Services Administration. Bradley and Hamilton are designated as partially underserved areas.

It appears this criterion has been met.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;

Since the applicant is not a hospital, this standard is not applicable to this proposed project.

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

Medicare and TennCare Managed Care Organizations in the area will be contracted.

It appears this criterion has been met.

- d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times. The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard

80% of cases will be 20 minutes. Some specialized cases will require at least 30 minutes of preparation and procedure time. The applicant will accommodate any longer procedure times.

It appears this criterion has been met.

STAFF SUMMARY

Note to Agency members: This staff summary is a synopsis of the original application and supplemental responses submitted by the applicant. Any HSDA Staff comments will be presented as a "Note to Agency members" in bold italic.

The applicant proposes to establish a one operating room single specialty ASTC that is limited to interventional pain management procedures for the patients of Center for Spine and Pain Medicine, P.C (CSPM, P.C.). Both the applicant, CSPM, LLC, and the physician practice, CSPM, P.C., are ultimately owned and controlled by Sadiq Sohani, MD, a board-certified anesthesiologist. CSPM, PC is Joint Commission accredited as an Ambulatory Health Care Program and Tennessee Board of Medical Examiners (TBME) certified as a pain management clinic. Dr. Sohani currently performs level I and II office-based surgical procedures in a surgical suite within clinic, which does not require separate certification from the TDH/BME as an office-based surgical suite. If the proposed project is approved, the office-based surgical suite will essentially become the ASTC, where all surgical services will be performed. CSPM, P.C will continue to maintain the pain management clinic certification for the provision of non-surgical services.

Dr. Sadiq Sohani, MD also owns and operates a licensed Georgia ASTC specializing in interventional pain treatment for patients of CSPM's Dalton, Georgia medical practice.

An overview of the project is provided on pages 6-8 of the original application.

Need

CSPM states there is a need for a licensed ASTC in conjunction with the Center for Spine and Pain Medicine, P.C. for the following reasons:

- Services are performed in an appropriate setting by a qualified Board certified physician
- The only single specialty pain management ASTC in the proposed service area experienced a 12% increase in pain management cases from 2010 to 2012.
- Accreditation as an ASTC from the Joint Commission was sought and received for the purpose of satisfying the Medicare conditions of enrollment as an ASTC.

Note to Agency members: There was some confusion as to whether the applicant was stating that it received Joint Commission accreditation as an ASTC or

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office based surgery. HSDA staff became concerned since Vincent Davis, Tennessee Department of Health, Director of Division of Health Care Facilities has indicated ASTC facility licensure must precede both accreditation and certification. The applicant has since clarified that CSPM, P.C. has received Joint Commission accreditation as an Ambulatory Care Program. This designation includes both ASTCs and other types of ambulatory care providers.

Ownership

CSPM Surgery Center is a Tennessee registered limited liability company (LLC) formed June 5, 2013. The LLC is 100% owned by Sadiq Sohani, MD. Dr. Sohani also owns 100% of the Center for Spine and Pain Medicine, P.C.

Facility Information

- The applicant's proposed ASTC and medical office will consist of 2,957 square feet. The total square footage of the proposed ASTC is 1,276 square feet. The medical practice of Sadiq Sohani, MD occupies 1,681 square feet of space. A floor plan drawing is included in Attachment B.IV.—Floor Plan.
- The clinic's operating hours will be Wednesdays from 9:00 am to 4:30 pm. The applicant will expand the days of service as the practice grows.

Equipment

Advanced x-ray guided interventional diagnostic and therapeutic spinal procedures will be provided. The applicant will use an existing Fluoroscopy C-Arm and Radiofrequency Lesioning (RFL) machine. A certificate of need is not required for this equipment since the cost is under \$2,000,000. A list of fluoroscopic guided procedures is listed in Attachment B.I.

Service Area Demographics

CSPM Surgery Center's declared primary service area is Bradley, Hamilton, McMinn and Rhea counties.

- The total population of the service area is estimated at 533,652 residents in calendar year (CY) 2013 increasing by approximately 2.5% to 547,224 residents in CY 2017.
- The overall statewide population is projected to grow by 3.7% from 2013 to 2017.
- The latest 2013 percentage of the proposed service area population enrolled in the TennCare program is approximately 17%, as compared to the statewide enrollment proportion of 18.4%.

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Source: The University of Tennessee Center for Business and Economic Research Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics.

Service Area Historical Utilization

The utilization table on the following page reflects the following:

- 2.9% decrease in total outpatient surgeries in the service area from 38,171 in 2010 to 37,048 in 2012
- 19.4% increase in total pain management surgical cases from 7,655 in 2010 to 9,144 in 2012
- 12% increase in pain management cases from 5,653 in 2010 to 6,334 in 2012 in the existing single specialty ASTC

Historical Capacity and Utilization of Multi-Specialty ASTs within 4 Co. Service Area

			2010 (Final)	2011 (Final)	2012 (Provisional)		
County	ASTC	Oper. Rms/ Proc. Rms	Cases	Cases	Cases	PM % of Total	% change 10'-12'
Bradley	Novamed Surgery Center of Cleveland, LLC-(Multi-Specialty)	2 / 1					
	Pain Management		192	142	145	3%	-24.8%
	Total Outpatient Surgeries		4,280	4,252	4,856		+13.4%
Hamilton	Associates of Memorial/Memorial Mission Outpatient Surgery Center, LLC (Multi-Specialty)	4 / 3					
	Pain Management		0	413	590	5%	n/a
	Total Outpatient Surgeries		10,316	10,960	11,740		+13.8%
Hamilton	Physicians Surgery Center of Chattanooga (Multi-Specialty)	4/2					
	Pain Management		124	79	26	0.78%	-79%
	Total Outpatient Surgeries		5,113	4,038	3,317		-35.1%
Hamilton	Plaza Surgery, G.P. (Multi-Specialty)	4/4					
	Pain Management		498	468	92	2.4%	-81.5%
	Total Outpatient Surgeries		5,855	5,699	3,855		-34.2%
Hamilton	Surgery Center of Chattanooga (Multi-Specialty)	5/2					
	Pain Management		1,188	1,646	1,945	45.6%	+63.7%
	Total Outpatient Surgeries		3,159	4,163	4,265		+35%
Hamilton	Chattanooga Pain Surgery Center (Single Specialty)	1/2					
	Pain Management		5,653	3,239	6,334	100%	+12%
	Total Outpatient Surgeries		5,653	3,239	6,334		+12.4%
McMinn	The Surgery Center of Athens, LLC (Multi-Specialty)	2/1					
	Pain Management		0	0	12	0.45%	n/a
	Total Outpatient Surgeries		3,795	3,249	2,681		-29.3%
Service Area Totals		22 / 15 = 37					
Pain Management			7,655	5,987	9,144	24.7%	+19.4%
Total Outpatient Surgeries			38,171	35,600	37,048		-2.9%
Cases per OR/PR			1,032	962	1,001		-3%

Source: Tennessee Department of Health, Division of Health Statistics, Joint Annual Reports

Project Cost

Major costs are:

- Equipment- \$157,500, or 23.8% of cost
- Lease- \$228,730, or 33.5% of the total cost
- Construction- \$229,620 or 33.6% of total cost
- For other details on Project Cost, see the Project Cost Chart on page 15 of the application

The cost for the renovated area is \$180.00 per square foot. As reflected in the table below, the renovated construction cost is above the 3rd quartile of \$166.28 per square foot of statewide ASTC renovated construction projects from 2010 to 2012.

**Statewide
ASTC Construction Cost Per Square Foot
Years 2010-2012**

	Renovated Construction	New Construction	Total construction
1st Quartile	\$50/sq. ft.	\$200/sq. ft.	\$78/sq. ft.
Median	\$100/sq. ft.	\$253/sq. ft.	\$166/sq. ft.
3rd Quartile	\$166/sq. ft.	\$293/sq. ft.	\$244/sq. ft.

Source: HSDA Applicant's Toolbox

A letter dated June 25, 2013 from the architectural firm Hill Folley and Rossi indicates the proposed ASTC was constructed to comply with all applicable building codes as required by the Tennessee Department of Health.

Financing

A June 5, 2013 letter from Seth Cole, VP of Regions Bank confirms the applicant financed the proposed project with a loan in the amount of \$736,312. According to supplemental #1, the Region's loan was financed over a five year term ending February 15, 2012 at an annual interest rate of 3.95%.

The applicant's audited financial statements for the period ending December 31, 2012 indicates \$4,480,033 in checking/savings, total current assets of \$1,148,146, total current liabilities of \$284,683 and a current ratio of 4:1.

Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities

Historical Data Chart

Not applicable. The application is for a new ASTC.

Projected Data Chart

The applicant projects \$3,266,000.00 in total gross revenue on 500 cases during the first year of operation and \$3,592,000 on 550 cases in Year Two (approximately \$6,350 per case). The Projected Data Chart reflects the following:

- Net operating income less capital expenditures for the applicant will equal \$667,506 in Year One increasing to \$741,668 in Year Two.
- Net operating revenue after bad debt, charity care, and contractual adjustments is expected to reach \$1,006,280 or approximately 28% of total gross revenue in Year Two.
- Charity care at approximately 1.4% of total gross revenue in Year One and 1.4% in Year Two equaling to \$45,000 and \$49,500, respectively.
- Charity Care calculates to 6.9 cases per year.

Charges

In Year One of the proposed project, the average pain management charges are as follows:

- The proposed average gross charge is \$6,532/case in 2014
- The average deduction is \$4,702/case, producing an average charge of \$1,829/procedure.

The applicant provided additional information regarding the top five surgical procedures as follows:

- Charges per procedure in the office-based setting ranged between \$700 and \$1,000. This same charge range will be considered the professional component for the ASTC. The Medicare net reimbursement for this charge range in the ASTC setting will be between \$87.51 and \$205.49.
- For these same five procedures there will be an additional facility charge in the ASTC. The charges range from \$3,266 to \$5,680. The Medicare net reimbursement ranges from \$168.17 to \$376.28.

Medicare/TennCare Payor Mix

- TennCare- Charges will equal \$653,200 in Year One representing 20% of total gross revenue
- Medicare- Charges will equal \$1,329,040 in Year One representing 37% of total gross revenue

Staffing

CSPM Surgery Center will enter into a personnel services agreement with the Center for Spine and Pain Medicine, P.C. to provide personnel for the proposed ASTC. A copy of the agreement is on page 64 of the original application. The applicant's proposed direct patient care staffing in Year One includes the following:

- .2 FTE Registered Nurse and
- .4 FTE Medical Assistants

Licensure/Accreditation

The proposed ASTC will be licensed by the Tennessee Department of Health, Division of Health Care Facilities. If approved, the applicant intends to seek to transfer the assignment of the Joint Commission accreditation from the office-based surgical suite for The Center for Spine and Pain Medicine, P.C to CSPM Surgery Center.

The applicant's ASTC (Center for Spine and Pain Medicine) located in Dalton, Georgia is Medicare certified and licensed by the Georgia Department of Community Health. A letter dated June 26, 2012 from the Georgia Department of Community Health indicated the facility to be in compliance in all areas as a result of an on-site inspection completed on June 19, 2012.

Corporate documentation, real estate lease, and detailed demographic information are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in **two** years. The applicant seeks to open the ASTC in January 2014.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for other health care organizations in the service area proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME
9/3/2013

LETTER OF INTENT



2013 JUN 10 PM 12:40
LETTER OF INTENT

TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Chattanooga Times Free Press which is a newspaper of general circulation in Hamilton, Tennessee, on or before June 10, 2013 for one day.
(Name of Newspaper) (County) (Month / day) (Year)

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

CSPM Surgery Center N/A
(Name of Applicant) (Facility Type-Existing)
owned by: CSPM Surgery Center, LLC with an ownership type of limited liability company
and to be managed by: itself intends to file an application for a Certificate of Need for [PROJECT DESCRIPTION BEGINS HERE]:

The establishment of a single-specialty ambulatory surgical treatment center at 7446 Shallowford Rd., Suite 102, Chatt., TN at a cost estimated for CON purposes at \$514,556.63. Use of this facility will be limited to patients of Center for Spine and Pain Medicine, P.C., an established medical practice. The ASTC will provide interventional pain management services and will have one operating room. No major medical equipment or inpatient beds are affected by this project.

The anticipated date of filing the application is: June 14, 2013
The contact person for this project is Douglas S. Griswold Attorney
(Contact Name) (Title)
who may be reached at: Chambliss Bahner & Stophel P.C. 605 Chestnut St., Ste. 1700
(Company Name) (Address)
Chattanooga TN 37450 423-757-0262
(City) (State) (Zip Code) (Area Code / Phone Number)
[Signature] 6/17/13 dgriswold@cbslawfirm.com
(Signature) (Date) (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

**Health Services and Development Agency
The Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243**

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Copy

Application

CSPM Surgery Center

CN1306-021

2013 JUN 14 PM 1:38
APPLICATION FOR CERTIFICATE OF NEED

MADE BY:

CSPM SURGERY CENTER, LLC

MADE TO:

TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

FILED:

JUNE 14, 2013

2013 JUN 14 PM 1 38

1. <u>Name of Facility, Agency, or Institution</u>			
<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">CSPM Surgery Center</div> <div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Name</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">7446 Shallowford Rd, Suite 102</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Street or Route</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Chattanooga</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">City</div> </div> <div style="width: 35%;"> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">TN</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">State</div> </div> <div style="width: 5%;"> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Hamilton</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">County</div> </div> <div style="width: 20%;"> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">37421</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Zip Code</div> </div> </div>			
2. <u>Contact Person Available for Responses to Questions</u>			
<div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Douglas S. Griswold</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Name</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Chambliss, Bahner & Stophel, P.C.</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Company Name</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">605 Chestnut St, Suite 1700</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Street or Route</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">attorney</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Association with Owner</div> </div> <div style="width: 35%;"> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Chattanooga</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">City</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">423-757-0262</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Phone Number</div> </div> <div style="width: 5%;"> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">TN</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">State</div> </div> <div style="width: 20%;"> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">37450</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Zip Code</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">423-508-1262</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Fax Number</div> </div> </div> <div style="width: 5%;"> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Attorney</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Title</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">dgriswold@cbslawfirm.com</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Email address</div> </div>			

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

ATTACHMENT.SUPPLEMENTAL.2 – REPLACEMENT PAGE5. Name of Management/Operating Entity (If Applicable)

Not applicable		
Name		
Street or Route		County
City	State	Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. Legal Interest in the Site of the Institution (Check One)

- | | | | |
|--|--------------------------|--------------------|-------------------------------------|
| A. Ownership | <input type="checkbox"/> | D. Option to Lease | <input checked="" type="checkbox"/> |
| B. Option to Purchase | <input type="checkbox"/> | E. Other (Specify) | <input type="checkbox"/> |
| C. Lease of <input type="text"/> Years | <input type="checkbox"/> | | |

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

7. Type of Institution (Check as appropriate—more than one response may apply)

- | | | |
|---|---|--------------------------|
| A. Hospital (Specify) <input type="checkbox"/> | I. Nursing Home | <input type="checkbox"/> |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty <input type="checkbox"/> | J. Outpatient Diagnostic Center | <input type="checkbox"/> |
| C. ASTC, Single Specialty <input checked="" type="checkbox"/> | K. Recuperation Center | <input type="checkbox"/> |
| D. Home Health Agency <input type="checkbox"/> | L. Rehabilitation Facility | <input type="checkbox"/> |
| E. Hospice <input type="checkbox"/> | M. Residential Hospice | <input type="checkbox"/> |
| F. Mental Health Hospital <input type="checkbox"/> | N. Non-Residential Methadone Facility | <input type="checkbox"/> |
| G. Mental Health Residential Treatment Facility <input type="checkbox"/> | O. Birthing Center | <input type="checkbox"/> |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) <input type="checkbox"/> | P. Other Outpatient Facility (Specify) <input type="text"/> | <input type="checkbox"/> |
| | Q. Other (Specify) <input type="text"/> | <input type="checkbox"/> |

8. Purpose of Review (Check as appropriate—more than one response may apply)

- | | | | |
|--|-------------------------------------|---|--------------------------|
| A. New Institution | <input checked="" type="checkbox"/> | G. Change in Bed Complement | <input type="checkbox"/> |
| B. Replacement/Existing Facility | <input type="checkbox"/> | (Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation) | <input type="checkbox"/> |
| C. Modification/Existing Facility | <input type="checkbox"/> | | <input type="checkbox"/> |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) | <input type="checkbox"/> | H. Change of Location | <input type="checkbox"/> |
| (Specify) <u>Not Applicable</u> | <input type="checkbox"/> | I. Other (Specify) | <input type="checkbox"/> |
| E. Discontinuance of OB Services | <input type="checkbox"/> | | |
| F. Acquisition of Equipment | <input type="checkbox"/> | | |

9. Bed Complement Data

Please indicate current and proposed distribution and certification of facility beds.

	<u>Current Beds Licensed</u>	<u>*CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
B. Surgical	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
C. Long-Term Care Hospital	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
D. Obstetrical	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
E. ICU/CCU	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
F. Neonatal	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
G. Pediatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
H. Adult Psychiatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
I. Geriatric Psychiatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
J. Child/Adolescent Psychiatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
K. Rehabilitation	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
L. Nursing Facility (non-Medicaid Certified)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
M. Nursing Facility Level 1 (Medicaid only)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
N. Nursing Facility Level 2 (Medicare only)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
P. ICF/MR	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Q. Adult Chemical Dependency	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
R. Child and Adolescent Chemical Dependency	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
S. Swing Beds	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
T. Mental Health Residential Treatment	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
U. Residential Hospice	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
TOTAL	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

*CON-Beds approved but not yet in service

10. **Medicare Provider Number**
Certification Type
11. **Medicaid Provider Number**
Certification Type
12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**
13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants?** **If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.**
Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

- A.13 Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. *Will this project involve the treatment of TennCare participants? Yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.***

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

Response: The applicant intends to contract with each TennCare MCO operating in the service area (AmeriChoice, BlueCare, and TennCare Select). Based on the current volume of TennCare patients at the affiliated medical practice (Center for Spine and Medicine, P.C.), the applicant anticipates that TennCare patients will comprise at least 20% of the total patient volume at the proposed ASTC.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 ½" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Response: This application is for the establishment of a single-specialty ambulatory surgical treatment center (ASTC) at 7446 Shallowford Road, Suite 102, Chattanooga, Tennessee 37421 (the "Chattanooga ASTC"), specializing in the provision of interventional pain management. This will be a "private practice" ASTC serving only the patients of Center for Spine and Pain Medicine, P.C. ("CSPM"), a private physician practice with offices in both Dalton, Georgia and Chattanooga, Tennessee. CSPM is wholly owned by Sadiq Sohani, M.D., who is board-certified in anesthesiology and pain management. CSPM is also certified as a Pain Management Clinic by the Tennessee Board of Medical Examiners.

Significantly, CSPM already performs surgical procedures as part of its Chattanooga medical practice.¹ These procedures are provided in a distinct surgical suite located adjacent to the clinical areas of CSPM's medical practice and devoted exclusively to performing such procedures (defined below as the "Surgical Suite"). CSPM now desires, through its affiliate, CSPM Surgery Center, LLC (the "applicant"), to designate the Surgical Suite as an ASTC, in part, to satisfy certain conditions to enrollment as an ASTC with Medicare and also to promote the highest standard of care and safety for CSPM's patients, including through the performance of certain procedures that can only be performed in a licensed setting.

Significantly, the applicant has already begun the process of meeting this heightened standard of care by obtaining accreditation for the Surgical Suite with The Joint Commission, which bases accreditation on satisfying the Medicare conditions of enrollment as an ASTC. Now, obtaining a certificate of need will allow the applicant to pursue licensure as an ASTC with the State of Tennessee, which serves the dual purpose of (i) promoting patient care through compliance with Tennessee licensing requirements and (ii) satisfying certain conditions to enrollment with Medicare.

This private practice ASTC model is based on CSPM's current operations in Dalton, Georgia. There, CSPM operates a licensed Georgia ASTC which offers a full spectrum of

¹ Such performance is permitted pursuant to the Tennessee Board of Medical Examiner Rules on Office-Based Surgery, which allows physicians to perform Level I, II and III surgical procedures within a physician office. None of the procedures performed in the Chattanooga ASTC require general anesthesia and instead fall under the category of Level I or II procedures.

interventional pain treatment limited exclusively to the patients of CSPM's Dalton medical practice. The applicant will follow the same model with the Chattanooga ASTC.

Currently, CSPM provides services in Chattanooga one day per week on Wednesdays from 9:00am to 4:30pm. Initially, the applicant will maintain this same schedule for the Chattanooga ASTC. However, as the population base of CSPM's Chattanooga medical practice grows, the applicant anticipates expanding its operations to incorporate additional days of service.

Proposed Services. As noted above, the Chattanooga ASTC will be devoted exclusively to providing interventional pain management. This will include the performance of advanced X-Ray guided interventional diagnostic and therapeutic spinal procedures. A more detailed list of the procedures performed in the Chattanooga ASTC is attached as Attachment B.I. Such procedures will be provided as part of a multidisciplinary plan of pain management care offered to the patients of CSPM.

Service Area. The primary service area for the Chattanooga ASTC is Hamilton County and three adjacent counties – Bradley, McMinn and Rhea Counties (the "Service Area"). Together, the applicant anticipates that 75% of the total patient population will be derived from these four counties.

Ownership Structure: The owner and licensee of this Chattanooga ASTC is CSPM Surgery Center, LLC, which is a member-managed Tennessee limited liability company 100% owned by Dr. Sohani.

Need; Existing Resources in Service Area. Prior to 2012, CSPM had established a thriving medical practice and ASTC in Dalton, Georgia. However, based on referral patterns and anticipated growth in the patient population, CSPM decided that it was necessary to open a new medical office in Chattanooga at the Shallowford Road location. This medical practice opened in February 2012 and has quickly established a growing patient base in the Chattanooga region.

The new Chattanooga ASTC will be dedicated exclusively to serving the Chattanooga patient base of CSPM. In particular, performing interventional pain management in a licensed ASTC will help ensure that such services are performed in an appropriate setting by a qualified, board-certified pain management specialist.

The fact that there is a need in the Service Area for this type of facility is also supported by the current utilization rates of those ASTCs located in the Service Area available to perform pain management services. Currently, there are seven such facilities in the Service Area, which collectively perform more than two times the current Guidelines for Growth standard of 800 procedures per operating room. In addition, only one of these facilities, Chattanooga Pain Surgery Center, is devoted exclusively to providing pain management care and, based on 2011 JAR data, this facility is currently operating at six times the current Guidelines standard. As noted above, the Chattanooga ASTC will be devoted exclusively to providing care to CSPM's Chattanooga patients and thus will not seek to negatively impact the financial position of the existing ASTC resources.

Project Cost; Financial Feasibility and Funding. The estimated project cost of the Chattanooga ASTC is \$514,556.63. This amount includes the value of the leased space and existing equipment. It also includes the costs of the initial renovation of the Surgical Suite, which was completed as of February 2012. The cost of such renovation was funded in part by a commercial loan from Regions Bank to SS&AS Family, LP, which is a limited partnership owned by Dr. Sohani and his wife and is the owner of the building in which the Chattanooga ASTC and CSPM's medical practice are located. This loan is currently in the process of being paid off and Dr. Sohani continues to have an excellent relationship with Regions. The future economic success of the ASTC will be derived mainly from the financial position of the affiliated medical practice of CSPM, which per the attached financial statements, is currently in a strong financial position.

Staffing. The Chattanooga ASTC will generally be staffed by employees leased to the facility from CSPM. Such leased staff will include appropriate nursing and administrative staff. In addition, the applicant will hire a surgical technologist meeting the applicable certification requirements of the State of Tennessee. Initially, Dr. Sohani will be the only physician performing services in the Chattanooga ASTC, but additional physicians may be added as the practice grows.

- II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.**
- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.**

If the project involves none of the above, describe the development of the proposal.

Response: The Chattanooga ASTC will share 2,957 square feet of medical office space with the medical practice of CSPM. Specifically, the ASTC will occupy 1,276 square feet of this office space (the "Surgical Suite") and the medical practice occupies the other 1,681 square feet (the "Clinic Space").

Renovation of the combined medical space was completed in February, 2012 at which point CSPM commenced clinical operations in the Clinic Space and surgical operations in the

Surgical Suite. Upon approval of this application, this arrangement will continue with the Chattanooga ASTC continuing surgical operations in the Surgical Suite.

As noted above, the applicant has obtained accreditation with the Joint Commission as an ASTC. To obtain such accreditation, the applicant demonstrated compliance with all Medicare conditions of coverage, including the requirement that the ASTC be constructed in a self-contained surgical suite. In connection therewith, the Surgical Suite contains one operating room, two pre-operative stations, one post-operative station and a nursing station with line of sight supervision of all three stations. In addition, the Surgical Suite has its own entrance, reception and waiting room.

The Surgical Suite follows strict infection control and air circulation protocol to minimize infection risk. Also, the Surgical Suite has a clean room and sterile room to sterilize and store the instruments used in the surgical procedures.

The Surgical Suite is directly accessible to the Clinical Space to ensure efficient movement of staff and patients. Both spaces are located on the ground floor of the office building and are directly accessible to the parking lot to ensure ease of patient access.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

Response: Not applicable.

- C. As the applicant, describe your need to provide the following health care services (if applicable to this application):**

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography

- 19. Radiation Therapy/Linear Accelerator
- 20. Rehabilitation Services
- 21. Swing Beds

Response: Not applicable. The applicant is looking to establish a single-specialty ambulatory surgical treatment center.

D. Describe the need to change location or replace an existing facility.

Response: Not Applicable.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):

a. Describe the new equipment, including:

- 1. Total cost; (As defined by Agency Rule).**
- 2. Expected useful life;**
- 3. List of clinical applications to be provided; and**
- 4. Documentation of FDA approval.**

Response: Not applicable.

b. Provide current and proposed schedules of operations.

Response: Not applicable.

2. For mobile major medical equipment:

- a. List all sites that will be served;**
- b. Provide current and/or proposed schedule of operations;**
- c. Provide the lease or contract cost.**
- d. Provide the fair market value of the equipment; and**
- e. List the owner for the equipment.**

Response: Not applicable.

3. **Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.**

Response: Not applicable.

III. (A) Attach a copy of the plot plan of the site on an 8-1/2" x 11" sheet of white paper which must include:

1. **Size of site (in acres);**
2. **Location of structure on the site; and**
3. **Location of the proposed construction.**
4. **Name of streets, roads or highway that cross or border the site.**

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

Response: The requested plot plan is attached as Attachment B.III. The facility is located in the Hamilton Office Park at 7446 Shallowford Road, Chattanooga, TN 37421, which is a professional office park housing medical and other professional entities. The facility is located in one of the two 15,000 square foot facilities located in the office park. The office park is located right off Shallowford Road, one-half mile off I-75 and just behind the Hamilton Place Mall shopping complex.

- (B) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.**

Response: As noted above, the Chattanooga ASTC is located approximately one-half mile off I-75 and within mere minutes of Hamilton Place Mall, which is the largest shopping center in the Chattanooga region. The nearest public transit bus stop is minutes away at the Hamilton Place Mall. Significantly, this location is in close proximity to a large number of potential referral sources, including physicians, physical therapists, chiropractors and health care facilities (including Erlanger East Hospital) and thus is frequently accessed by patients and potential patients of CSPM.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8½" x 11" sheet of white paper.

NOTE: DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

Response: The floor plan is attached as Attachment B.IV.

V. For a Home Health Agency or Hospice, identify:

- 1. Existing service area by County;**
- 2. Proposed service area by County;**
- 3. A parent or primary service provider;**
- 4. Existing branches; and**
- 5. Proposed branches.**

Response: Not applicable.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609 (b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8½" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guideline for Growth.
 - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

Response: Detailed responses to the Guidelines for Growth Criteria and standards for ambulatory surgical treatment centers (ASTCs) are provided below in response to this question.

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4) (a-c).

Response: Not applicable.

AMBULATORY SURGICAL TREATMENT CENTERS

1. **The need for an ambulatory surgical treatment centers shall be based upon the following assumptions:**

- a. **An operating room is available 250 days per year, 8 hours per day.**

Response: Initially, the operating room will be available from 9:00AM until 4:30PM every Wednesday. The applicant intends to expand the number of days per week the operating room will be available as patient load dictates and the Chattanooga practice of CSPM expands.

- b. **The average time per outpatient surgery case is 60 minutes.**

Response: The applicant projects an average case time of approximately 20 minutes, not including room turnaround time.

- c. **The average time for clean-up and preparation between outpatient surgery cases is 30 minutes.**

Response: The applicant projects an average turnaround time between cases of approximately 3-4 minutes.

- d. **The capacity of a dedicated, outpatient, general-purpose operating room is 80% of full capacity. That equates to 800 cases per year.**

Response: The applicant conservatively estimates approximately 1,000 cases performed during year 1, which is 125% of the Guideline, and 1,100 cases performed during year 2, which is approximately 138% of the Guideline.

- e. **Unstaffed operating rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.**

Response: Not applicable. Only one operating room is available and it is fully staffed.

2. **“Service Area” shall mean the county or counties represented by the applicant as the reasonable area to which the facility intends to provide services and/or in which the majority of its service recipients reside.**

Response: The applicant’s proposed service area is Hamilton, Bradley, Rhea and McMinn counties (the “Service Area”). The applicant projects that approximately 75% of its patients will reside in those four counties. This estimate is based on the current population mix of CSPM’s Chattanooga medical practice, which is a reasonable estimate due to the fact that the Chattanooga ASTC will service only the patients of CSPM’s Chattanooga office.

3. **The majority of the population of a service area for an ambulatory surgical treatment center should reside within 30 minutes travel time to the facility.**

Response: The majority of CSPM's patients reside within a 30 minute travel time to Chattanooga and the Shallowford Road location.

4. **All applicants should demonstrate the ability to perform a minimum of 800 operations and/or procedures per year per operating room and/or procedure room. This assumes 250 days x 4 surgeries/procedures x .80.**

Response: The applicant will meet this threshold based on its estimate of 1,000 procedures in year 1 and 1,100 procedures per year 2. The ASTC will have one operating room.

5. **A certificate of need (CON) proposal to establish a new ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center shall not be approved unless the existing ambulatory surgical services within the applicant's service area or within the applicant's facility are demonstrated to be currently utilized at 80% of service capacity. Notwithstanding the 80% need standard, the Health Facilities Commission may consider proposals for additional facilities or expanded services within an existing facility under the following conditions: proposals for facilities offering limited-specialty type programs or proposals for facilities where accessibility to surgical services is limited.**

Response: Per the data provided in the response to Need.6 below, the seven multi-specialty ASTCs located in the service area which perform pain management procedures have operated at an average of 206% of the Guideline standards over the past three years based on JAR data.

In addition, Chattanooga Pain Surgery Center, the other ASTC devoted exclusively to performing pain management services in the Service Area, has operated at a staggering 468% over the Guideline standard during this same period (note that published data is available for only 2010 and 2011 for this facility).

As such, it seems clear that the local ASTCs are operating well above the Guideline standards.

6. **A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment must specify the number of projected surgical operating rooms to be designated for ambulatory surgical services.**

Response: The applicant has one operating room designated for ambulatory surgical services.

7. **A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must**

project patient utilization for each of the first eight quarter following the completion of the proposed project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

Response: The applicant anticipates utilization of 250 procedures per quarter during Year 1 and 275 procedures per quarter during Year 2. This represents a modest increase of 10% in the amount of procedures from Year 1 to Year 2, which is reasonable given the projected growth of CSPM's medical practice in the Chattanooga community.

The number of procedures per quarter is fixed as there does not appear to be any seasonal pattern to the demand for pain management services.

8. **A CON proposal to establish an ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center must project patient origin by percentage and county of residence. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.**

Response: See the response to Need.3 below. The applicant projects that 75% of its patients will reside in the following four counties in Tennessee: Hamilton, Bradley, Rhea and McMinn Counties. This estimate is based on current patient origins from CSPM's Chattanooga medical practice.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

Response: Not applicable.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8-1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.)

Response: The proposed Service Area consists of four counties in Tennessee. These counties are Hamilton, Bradley, McMinn and Rhea. Approximately 75% of admissions are expected to be residents of these counties. This service area is based on the current patient population of CSPM's Chattanooga medical practice. The table below describes the patient origins in more detail. A map of the Service Area is attached to the appendix as Attachment.Need.3.

Table – Need.3

Projected Patient Populations

County	Percent of Total	Year 1 Procedures	Year 2 Procedures
Hamilton	50%	500	550
Rhea	8.3%	83	91
McMinn	8.3%	83	91
Bradley	8.4%	84	93
Other	25%	250	275
Totals	100%	1,000	1,100

4. A. Describe the demographics of the population to be served by this proposal.

Response: A demographic profile of each of the counties in the Service Area is included below.

County	2013 Total	2013 65+	% 65+	2020 Total	2020 65+	% 65+	% Change Total	% Change 65+
Hamilton	319,626	51,078	16.0%	327,046	61,925	18.9%	2.3%	21.2%
Bradley	99,925	14,945	15.0%	106,039	17,781	16.8%	6.1%	19.0%
McMinn	55,159	8,990	16.3%	58,022	10,399	17.9%	5.2%	15.7%
Rhea	32,061	5,360	16.7%	33,692	6,576	19.5%	5.1%	22.7%
Service Area	506,771	80,373	15.9%	524,799	96,681	18.4%	3.6%	20.3%
State of Tennessee	6,414,297	904,587	14.1%	6,785,100	1,107,943	16.3%	5.8%	22.5%

Source: TN Dept of Health, Office of Policy, Planning and Assessment, Division of Health Statistics (2008)

As you can see, the data shows that both the State and Service Area population is growing. In addition, the population of the Service Area is older than the State population in general and that trend will continue through 2020.

While the Chattanooga ASTC will offer interventional pain management to all adults, the population over 65 is a key demographic that CSPM and the applicant expects to serve. As such, the demographic data supports the notion that a strong patient base is currently available and will continue to grow as the local population increases and becomes older.

4. B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response: The Chattanooga ASTC will be accessible to all residents of the Service Area without regard to race, ethnic origin, ability to pay, religion, sex or disability.

The Chattanooga ASTC will be a TennCare provider and will actively service that population. Based on current practice data in Chattanooga, CSPM projects that TennCare patients will comprise approximately 20% of its admissions to the Chattanooga ASTC. This is significant because 2012 TennCare enrollment data shows that approximately 18.3% of the Service Area population is enrolled in TennCare. Thus, this is a sizable segment of the local population that will benefit from the availability of CSPM's clinical and surgical services.

Also, as noted in 4.A above, the Service Area population is growing older as evidenced by Department of Health population projections. CSPM and the Chattanooga ASTC will actively service this elderly population.

5. **Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.**

Response: Table Need.5 on the following page shows the historical utilization for the Service Area's seven licensed ASTCs that are open staff and are available to local physicians to provide pain management procedures. The table excludes those ASTCs that are not accessible for pain procedures due to the fact that such facilities are used for other specialties such as ophthalmology, plastic surgery or cancer treatment. The data is based on JAR information from 2010-2012, as available.

The data clearly shows a need for additional ambulatory surgical services in the Service Area. Specifically, the average procedures per room has ranged from 1,440 in 2012 to 1,786 in 2010, well in excess of the Guidelines standard. (Note that the drop in 2012 is likely due to the fact that the Chattanooga Pain Surgery Center did not publish numbers for that year). Moreover, in the two years where all seven centers reported numbers, pain management procedures accounted for at least 26% of the total procedure volume. Significantly, the one facility exclusively dedicated to performing pain management procedures, Chattanooga Pain Surgery Center, has performed an average procedure load almost six times over the Guideline standard during this period.

Table Need.5**2012 Data**

State ID	Facility Name	County	O.R. Rooms*	Total Procedures	Procedures per Room	P.M. Procedures	% P.M.
06613	Novamed Surgery Center of Cleveland, LLC	Bradley	3	8,482	2,827	252	3.0%
33700	Associates of Memorial/Memorial Mission Outpatient Surgery Center, LLC	Hamilton	7	20,329	2,904	1,359	6.7%
33636	Physicians Surgery Center of Chattanooga	Hamilton	6	5,316	886	43	0.8%
33685	Plaza Surgery, G.P.	Hamilton	8	4,878	610	120	2.5%
33281	Surgery Center of Chattanooga	Hamilton	7	6,848	978	3,420	49.9%
33741	Chattanooga Pain Surgery Center	Hamilton	NR	NR	NR	NR	NR
54695	The Surgery Center of Athens, LLC	McMinn	3	3,138	1,046	12	0.4%
	Totals		34	48,991	1,440	5,206	10.6%

*Includes procedure rooms

2011 Data

State ID	Facility Name	County	O.R. Rooms*	Total Procedures	Procedures per Room	P.M. Procedures	% P.M.
06613	Novamed Surgery Center of Cleveland, LLC	Bradley	3	5591	1,864	206	3.7%
33700	Associates of Memorial/Memorial Mission Outpatient Surgery Center, LLC	Hamilton	7	18,219	2,603	823	4.5%
33636	Physicians Surgery Center of Chattanooga	Hamilton	6	6,829	1,138	145	2.1%
33685	Plaza Surgery, G.P.	Hamilton	8	8,548	1,069	700	8.2%
33281	Surgery Center of Chattanooga	Hamilton	7	6,858	978	2,893	42.2%
33741	Chattanooga Pain Surgery Center	Hamilton	3	13,853	4,618	13,853	100%
54695	The Surgery Center of Athens, LLC	McMinn	3	3,435	1,145	0	0%
	Totals		37	63,333	1,712	18,620	29.4%

*Includes procedure rooms

2010 Data

State ID	Facility Name	County	O.R. Rooms*	Total Procedures	Procedures per Room	P.M. Procedures	% P.M.
06613	Novamed Surgery Center of Cleveland, LLC	Bradley	3	7,725	2,575	410	5.3%
33700	Associates of Memorial/Memorial Mission Outpatient Surgery Center, LLC	Hamilton	7	17,467	2,495	0	0%
33636	Physicians Surgery Center of Chattanooga	Hamilton	6	6,055	1,009	196	3.2%
33685	Plaza Surgery, G.P.	Hamilton	8	11,995	1,499	1,195	12.5%
33281	Surgery Center of Chattanooga	Hamilton	7	5,385	769	2,076	38.6%
33741	Chattanooga Pain Surgery Center	Hamilton	3	13,390	4,463	13,390	100%
54695	The Surgery Center of Athens, LLC	McMinn	3	4,048	1,349	0	0%
	Totals		37	66,065	1,786	17,267	26.1%

*Includes procedure rooms

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: As noted above, CSPM currently performs surgical procedures as part of its Chattanooga medical practice as permitted pursuant to the Office Based Surgery Rules of the Tennessee Board of Medical Examiners. As such, there is a built-in patient population that currently receives surgical treatment at CSPM and will be transitioned to the Chattanooga ASTC upon obtaining an ASTC license.

In addition, CSPM anticipates transitioning some of its patients at its Dalton location to the Chattanooga ASTC to the extent this facility is more convenient to their residences.

Finally, CSPM intends to expand its referral base with other practitioners and health care providers in Chattanooga (including hospitals, rehab facilities, primary care providers and physical therapists) to expand the scope of its medical practice. These patients will be referred to the Chattanooga ASTC for surgical treatment and thus increase the facility's utilization. Support letters from some of these referral sources are attached to this application.

Based on the following assumptions, the applicant conservatively projects the following utilization for the first two years of operation of the Chattanooga ASTC:

Quarter	Year 1	Year 2
Q1	250	275
Q2	250	275
Q3	250	275
Q4	250	275

ECONOMIC FEASIBILITY

2013 JUN 14 PM 1 39

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
 - The cost of any lease should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater.
 - The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
 - For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

Response: The requested Project Costs Chart is attached.

As noted above, renovation of the Clinic Space and Surgical Suite was completed as of February 2012 and thus all construction costs and significant equipment outlays have already been incurred and paid for via commercial financing obtained through Regions Bank. A letter from the architect confirming the renovation completion date and related construction costs is attached as Attachment Economic Feasibility.1.

Note that such financing was obtained by SS&AS Family LP, a limited partnership owned equally by Dr. Sohani and his wife. SS&AS is the owner of the medial office space housing the Clinic Space and Surgical Suite. Note also that all costs originally borne by SS&AS or CSPM related to the renovation of the Surgical Suite and/or acquisition of equipment for use in the Surgical Suite have been attributed to the Chattanooga ASTC for purposes of compiling the Project Costs Chart.

The renovation cost to build-out the Surgical Suite was \$179.95 per square feet which is reasonable given the cost of other ASTC projects recently approved in the State of Tennessee.

Currently, the Surgical Suite is leased by CSPM from SS&AS per a three year lease effective as of February 15, 2012. The monthly rental is currently \$10,325. The applicant projects commencing operations as a licensed ASTC in January 2014 and thus has executed a commitment letter with CSPM to sublease the

Surgical Suite for the remainder of the current lease term at a monthly rental equal to 43% of the total monthly rent paid by CSPM to SS&AS (attributable to the fact that the Surgical Suite comprises 43% of the total leased space). This letter is attached as Attachment A.6. This sublease cost is included on the Project Costs Chart.

Most of the medical equipment used in the Surgical Suite (including the Fluoroscopy C-Arm and the RFL Machine) was already owned by CSPM and relocated from its Dalton ASTC to the Chattanooga facility. The fair market value of such equipment is included on the Project Costs Chart.

PROJECT COSTS CHART

A. Construction and equipment acquired by purchase:	
1. Architectural and Engineering Fees	35,000
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	21,000
3. Acquisition of Site	
4. Preparation of Site	
5. Construction Costs	229,620
6. Contingency Fund	
7. Fixed Equipment (Not included in Construction Contract)	
8. Moveable Equipment (List all equipment over \$50,000)	8,500
9. Other (Specify) <input type="text"/>	
B. Acquisition by gift, donation, or lease:	
1. Facility (inclusive of building and land)	228,730
2. Building only	
3. Land only	
4. Equipment (Specify) <input type="text" value="OR Table, C-Arm, RFL Machine"/>	157,500
5. Other (Specify) <input type="text"/>	
C. Financing Costs and Fees:	
1. Interim Financing	
2. Underwriting Costs	
3. Reserve for One Year's Debt Service	
4. Other (Specify) <input type="text"/>	
D. Estimated Project Cost (A+B+C)	680,350
E. CON Filing Fee	3,000
F. Total Estimated Project Cost (D+E)	683,350
TOTAL 683,350	

2. Identify the funding sources for this project.

- a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

- ☒ A. Commercial loan—Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restriction or conditions;
- ☐ B. Tax-exempt bonds—Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General Obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D. Grants—Notification of intent form for grant application or notice of grant award; or
- ☐ E. Cash reserves—Appropriate documentation from Chief Financial Officer.
- ☐ F. Other—Identify and document funding from all other sources.

Response: As noted above, the initial renovation and modification of the Surgical Suite and Clinic Space was funded by a commercial loan from Regions Bank to SS&AS as evidenced by the letter attached as Attachment.Economic Feasibility.2. This renovation was completed in February 2012. SS&AS is now in the process of repaying this loan through the operating revenues of the related medical practice of CSPM (which includes all revenues from the Surgical Suite). In addition, the operating revenues of the Chattanooga ASTC will contribute to such repayment upon commencing operations.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Response: The project costs are reasonable. As cited above, renovation of the Surgical Suite was completed in February 2012 at a cost per square foot of \$179.95. This is within the cost parameters of other ASTC projects recently approved by the Agency as set forth below:

	Renovated Construction	New Construction	Total Construction
1st Quartile	\$50.00/sq ft	\$200.00/sq ft	\$78.42/sq ft
Median	\$100.47/sq ft	\$252.74/sq ft	\$166.28/sq ft
3rd Quartile	\$166.28/sq ft	\$292.61/sq ft	\$244.26/sq ft

Source: CON approved applications for years 2010 through 2012

Also, as cited above, most of the medical equipment to be used in the Surgical Suite was already owned by CSPM and relocated from the Dalton ASTC to the Chattanooga facility.

4. Complete Historical and Projected Data Charts on the following two pages—**Do not modify the Charts provided or submit Chart substitutions!** Historical data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the Proposal Only (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Response: The Projected Data Chart is attached. There is no Historical Data Chart because this will be a new ASTC.

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 2014	Year 2015
A. Utilization Data (Specify unit of measure)	500 cases	550 cases
B. Revenue from Services to Patients		
1. Inpatient Services	\$0	\$0
2. Outpatient Services	3,266,000	3,592,000
3. Emergency Services	0	0
4. Other Operating Revenue (Specify) _____	0	0
Gross Operating Revenue	\$3,266,000	\$3,592,000
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$2,286,200	\$2,514,820
2. Provision for Charity Care	45,000	49,500
3. Provisions for Bad Debt	20,000	22,000
Total Deductions	\$2,351,200	\$2,586,320
NET OPERATING REVENUE	\$914,800	\$1,006,280
D. Operating Expenses		
1. Salaries and Wages	\$21,216	\$21,216
2. Physician's Salaries and Wages	83,200	83,200
3. Supplies	27,444	30,188
4. Taxes	10,441	10,441
5. Depreciation	16,000	16,000
6. Rent	53,253	53,253
7. Interest, other than Capital	0	0
8. Management Fees:		
a. Fees to Affiliates	0	0
b. Fees to Non-Affiliates	0	0
9. Other Expenses - Specify on separate page 14	45,740	50,314
Total Operating Expenses	\$257,294	\$264,612
E. Other Revenue (Expenses) -- Net (Specify) _____	\$0	\$0
NET OPERATING INCOME (LOSS)	\$657,506	\$741,668
F. Capital Expenditures		
1. Retirement of Principal	\$0	\$0
2. Interest	0	0

	Total Capital Expenditures	\$0	\$0
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES		<u>\$667,506</u>	<u>\$741,668</u>

PROJECTED DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	Year 2014	Year 2015
1. Insurance (professional, property, general liability, etc.)	\$45,740	\$50,314
2.		
3.		
4.		
5.		
6.		
7.		
Total Other Expenses	\$45,740	\$50,314

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Response: The following chart sets forth the applicant's anticipated gross charge, average deduction from operating revenue, and average net charge during the first year of operation of the Chattanooga ASTC:

Average Gross Charge: \$3,266.00

Average Deduction: \$2,351.00

Average Net Charge: \$914.80

All of these figures are on a per-procedure basis.

6. (A) Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

Response: Because this is a new project, there are no current charge schedules related to its operation as an ASTC. As stated above, the applicant expects the average gross charge at the Chattanooga ASTC to be \$3,266 per procedure, which is reasonable as compared to the charges of other Service Area ASTCs as shown in 6.B below.

6. (B) Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: The applicant's proposed charge schedule of \$3,266 per procedure is comparable to the prices charged by other comparable ASTCs providing pain management services in the Service Area.

The following table compares the charges per procedure for ASTC services of the comparable ASTCs in the Service Area based on 2012 JAR data:

Novamed Surgery Center of Cleveland, LLC	\$3,121.04
Associates of Memorial/Memorial Mission Outpatient Surgery Center, LLC	\$2,191.92
Physicians Surgery Center of Chattanooga	\$3,617.49
Plaza Surgery, G.P.	\$4,073.11
Surgery Center of Chattanooga	\$3,091.87
Chattanooga Pain Surgery Center*	\$2,627.73
The Surgery Center of Athens, LLC	\$4,029.81

*Based on 2011 JAR Data

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

Response: As shown in the Projected Data Chart, the applicant projects net operating income of \$657,506 during the first year of operation of the Chattanooga ASTC, which demonstrates that the project will be cost effective.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response: As stated above, the applicant expects that the Chattanooga ASTC will achieve financial viability during the first year of operation. This is based on projected utilization rates as described above.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or the state and federal sources for the proposal's first year of operation.

Response: CSPM currently provides services in the Surgical Suite to Medicare, TennCare, Medicaid, and indigent patients. The applicant will continue this practice with respect to its operation of the Chattanooga ASTC.

The applicant anticipates the following payor mix at the Chattanooga ASTC based on CSPM's current payor mix at the Chattanooga location:

Commercial:	42%
Medicare:	37%
TennCare/Medicaid:	20%
Self Pay:	1%

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alphanumeric order and labeled as Attachment C, Economic Feasibility-10.

Response: The applicant is a new entity with no prior operating history as an ASTC and thus it has no prior balance sheet or income statement. However, as noted above, the Chattanooga ASTC will be devoted exclusively to servicing the patients of CSPM's Chattanooga medical practice and will share common ownership. As such, the requested

financial information for the most recent fiscal year has been included for CSPM to demonstrate the financial viability of the related medical practice. This information is attached as Attachment.Economic Feasibility.10.

- 11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:**
- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.**
 - b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.**

Response: (Please note that the response to Questions 11(a) and 11(b) have been combined.)

As discussed throughout this application, CSPM already provides interventional pain management to its patients in the Surgical Suite. Upon commencing operations as a licensed ASTC, all such surgical procedures will be transferred from CSPM to the Chattanooga ASTC. As noted above, the reason that the applicant is seeking to establish an ASTC instead of continuing surgical operations within CSPM is to satisfy certain conditions to enrollment as an ASTC with Medicare and also to promote the highest standard of care and safety for CSPM's patients.

Consequently, there is no real "alternative" to establishing an ASTC in Chattanooga. The alternative would be to continue to operate in the current manner and provide interventional pain management services as a physician office rather than an ASTC. Thus, approval of this project will not change the current operations of the Surgical Suite; instead, it will allow the applicant to satisfy Medicare enrollment requirements and promote patient care through compliance with Tennessee licensing requirements. Therefore, no alternative exists because surgical services will continue to be provided to CSPM patients in the Surgical Suite either in the capacity of a physician office or an ASTC.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organization, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

Response: The applicant intends to have transfer agreements with both Erlanger and Memorial Hospitals (Erlanger East Hospital is located within 5-10 minutes of the ASTC site). In addition, Dr. Sohani is currently on staff at all three major Chattanooga hospitals – Erlanger, Memorial and Parkridge Hospitals.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Response: As previously noted, there currently is a significant problem in Tennessee regarding the abuse and illegal dispensing of pain management drugs and related services. Having pain management care performed in an accredited, licensed facility such as the Chattanooga ASTC will help diminish such abuses by helping to ensure that such care is performed in an appropriate setting by qualified health care professionals.

Specifically, Dr. Sohani, who is the sole owner and operator of the applicant and its related medical practice, CSPM, is board certified in pain management and anesthesiology and has extensive experience providing interventional pain management to his patients. Currently, he provides these services to his Chattanooga patients in the Surgical Suite attached to the Clinic Space of CSPM. He is now seeking to follow the model of his Dalton practice and transition the Surgical Suite from a physician office-based setting to an ASTC. He believes he can provide enhanced care to his patients in an ASTC setting because maintaining ASTC status will require the applicant to adhere to strict state licensing and federal accreditation standards. In addition, obtaining ASTC status will allow Dr. Sohani to evolve his practice by performing certain pain management procedures that may only be permitted in an ASTC setting and thus are prohibited in a physician office setting.

The alternative to receiving pain management treatment from a board-certified pain management specialist is to receive such care from health care providers and/or facilities that may not be as qualified or experienced in providing such care. Such inadequate care can potentially lead to medical complications that can lead patients to abusive behaviors such as the above-mentioned addictions to pain management drugs. The State of Tennessee has recognized this problem and established a certification program for pain management clinics. CSPM has attained such certification for its Chattanooga medical practice and Dr. Sohani believes converting the Surgical Suite to an ASTC will further enhance this state initiative.

In addition to the patient care benefits, existing ASTC providers of pain management services in the Service Area are on average operating well above the Guideline standard of 800 procedures per operating room, which suggests that additional capacity is needed in the

Chattanooga region. Moreover, given the trend of a growing population that is aging, it is reasonable to conclude that the demand for pain management care will be increasing over the coming years. As such, the establishment of the Chattanooga ASTC will help to meet this need by offering another licensed facility where patients can receive high-quality pain management care.

Finally, as a practical matter, the Chattanooga ASTC is merely replacing the practice-based operating room that CSPM already operates in the Surgical Suite. As such, there is already existing utilization of the facility that will merely be transitioned from the CSPM medical practice to the affiliated Chattanooga ASTC and such transitioning will not impose any negative impact on existing providers of ASTC services in the Service Area. To the extent that the Chattanooga ASTC expands its operations to meet the growing needs described above, such expansion will be a natural evolution based on the demands of the CSPM medical practice.

3. **Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

Response: The applicant anticipates hiring a new surgical technologist to staff the operating room. The applicant anticipates paying this technologist approximately \$17.50 per hour, which is comparable to the hourly mean salary for surgical technologists in the Chattanooga area (\$17.20) as published by the Tennessee Department of Labor & Workforce Development.

The remaining staff (nursing, administrative, etc.) necessary to operate the Surgical Suite will be supplied by CSPM. Upon commencing operations as an ASTC, CSPM will lease these employees to the applicant on a fair market value basis. A letter of intent confirming this arrangement is attached as Attachment Orderly Development.3.

4. **Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Development Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

Response: The applicant does not anticipate any difficulty in recruiting and hiring qualified professional and administrative staff as most are already employed by CSPM.

5. **Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and program, record keeping, and staff education.**

Response: The applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response: The applicant does not anticipate training students at the Chattanooga ASTC.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental retardation Services, and/or any applicable Medicare requirements.

Response: The applicant has reviewed and understands the licensure requirements of the Department of Health and the applicable Medicare requirements.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: The applicant intends to be licensed as an ASTC by the Tennessee Department of Health, Board for Licensing Healthcare Facilities.

Accreditation: The Surgical Suite was accredited by The Joint Commission as an ASTC effective as of November 9, 2012. A copy of the Certificate is attached as Attachment Orderly Development.7.

- (c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Response: Not applicable.

- (d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Response: Not applicable.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Response: Not applicable.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

Response: Not applicable.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

Response: If approved, the applicant will provide the Agency with information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

Response: A copy of the publication of intent is attached hereto as Attachment Proof of Publication.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.

Response: A copy of the Project Completion Forecast Chart is attached. As noted above, all renovation of the Surgical Suite is completed and initiation of services at the Chattanooga ASTC is contingent on obtaining a license from the TDOH.

2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.

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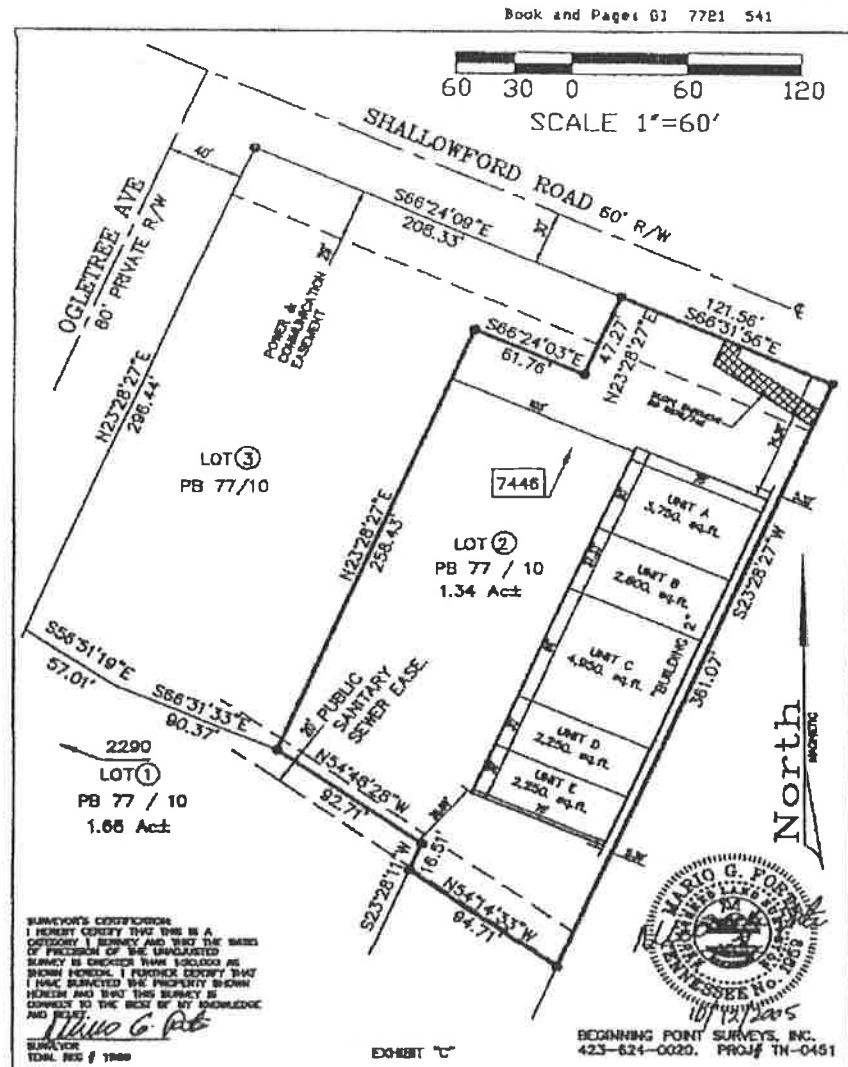
PROJECT COMPLETION FORECAST CHARTEnter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): September 25, 2013Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. <u>Architectural and engineering contract signed</u>	<input type="text"/>	<input type="text"/>
2. <u>Construction documents approved by the Tennessee Department of Health</u>	<input type="text"/>	<input type="text"/>
3. <u>Construction contract signed</u>	<input type="text"/>	<input type="text"/>
4. <u>Building permit secured</u>	<input type="text"/>	<input type="text"/>
5. <u>Site preparation completed</u>	<input type="text"/>	<input type="text"/>
6. <u>Building construction commenced</u>	<input type="text"/>	<input type="text"/>
7. <u>Construction 40% complete</u>	<input type="text"/>	<input type="text"/>
8. <u>Construction 80% complete</u>	<input type="text"/>	<input type="text"/>
9. <u>Construction 100% complete (approved for occupancy)</u>	<input type="text"/>	<input type="text"/>
10. <u>*Issuance of license</u>	<input type="text" value="100"/>	<input type="text" value="January 2014"/>
11. <u>*Initiation of service</u>	<input type="text" value="100"/>	<input type="text" value="January 2014"/>
12. <u>Final Architectural Certification of Payment</u>	<input type="text"/>	<input type="text"/>
13. <u>Final Project Report Form (HF0055)</u>	<input type="text"/>	<input type="text"/>

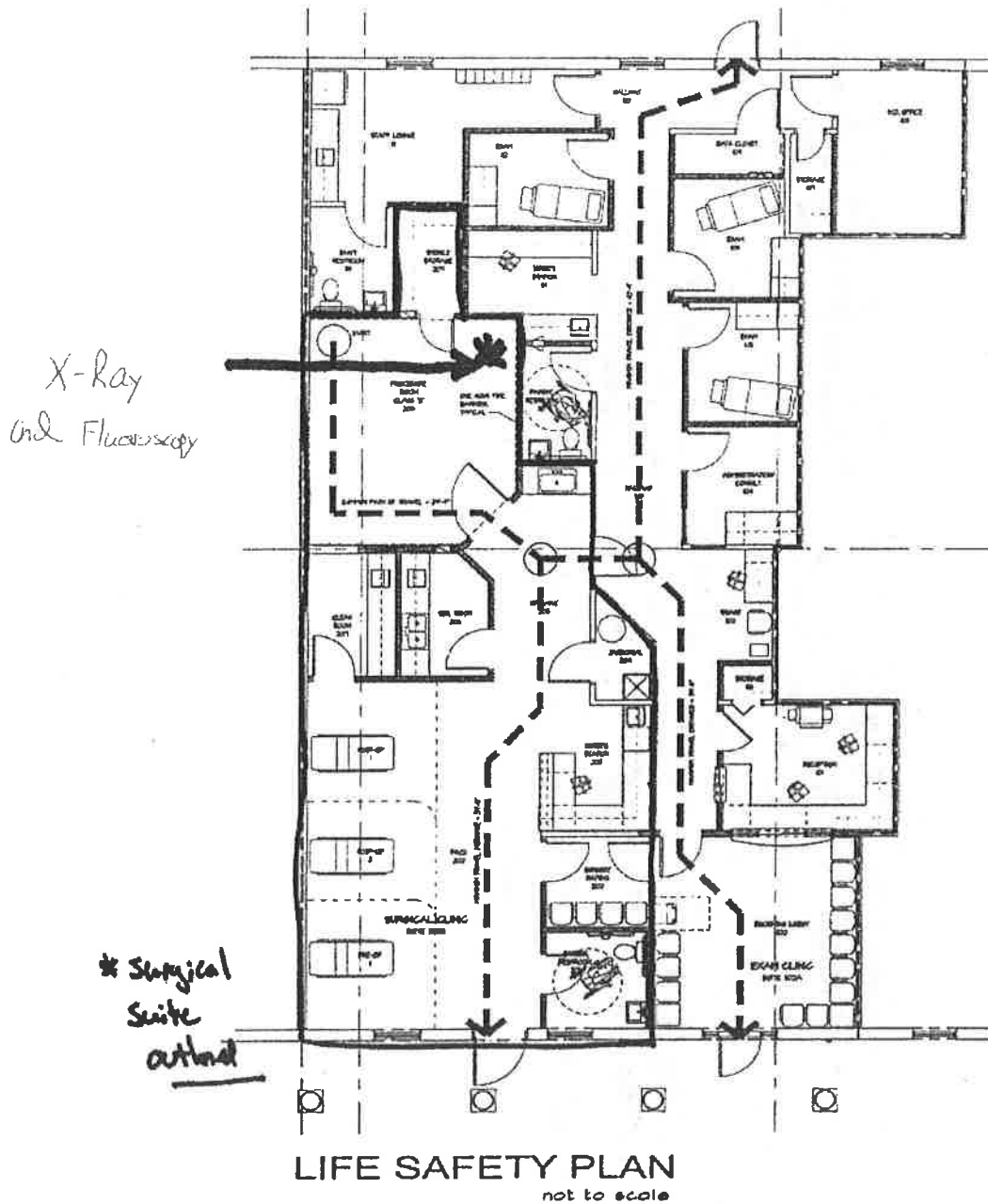
* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

ATTACHMENT B.I**I. Fluoroscopic Guided Procedures:**

1. Caudal Steroid Injection
2. Celiac Plexus Block
3. Cervical Epidural Steroid Injection
4. Cervical Facet Radiofrequency Neurotomy
5. Cervical Selective Nerve Root Block
6. Cervical Transforaminal Epidural Steroid Injection
7. Costovertebral Block
8. Discography
9. Epidural for Cancer
10. Facet Joint Injections
11. Fascia Iliaca Block
12. Interscalene Brachial Plexus Block
13. Intradiscal Electrothermal Therapy (IDET)
14. Joint Injection: Hip
15. Joint Injection: Shoulder
16. Kyphoplasty
17. Lumbar Epidural Steroid Injection
18. Lumbar Radiofrequency Neurotomy
19. Lumbar Sympathetic Block
20. Lumbar Transforaminal Epidural Steroid Injection
21. Medial Branch Block
22. Myelography (Myelogram)
23. Patient-Controlled Epidural Analgesia (PCEA)
24. RACZ Caudal Neurolysis
25. Sacroiliac Joint Steroid Injection
26. Stellate Ganglion Block
27. Thoracic Epidural Steroid Injection
28. Thoracic Facet Radiofrequency Neurotomy
29. Thoracic Transforaminal Epidural Steroid Injection
30. Trigger Point Injections
31. Vertebroplasty

ATTACHMENT.SUPPLEMENTAL.5 - REVISED PLOT PLAN

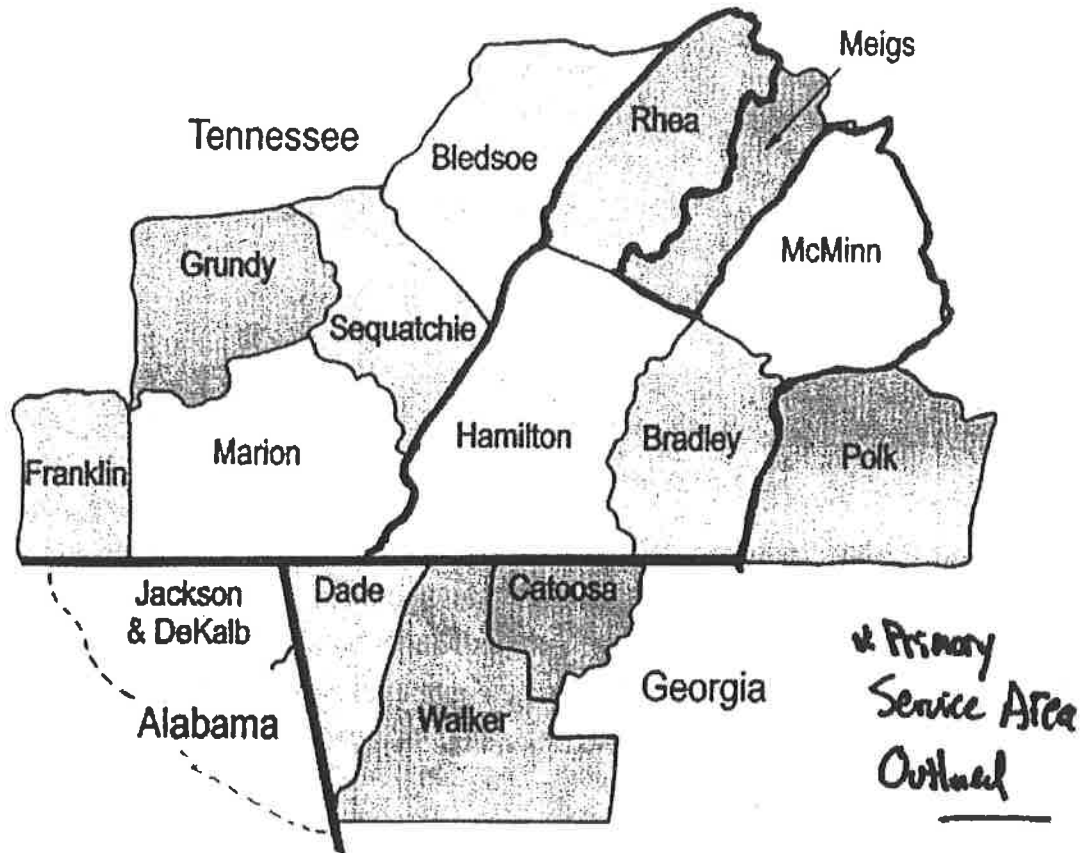
ATTACHMENT B.IV – FLOOR PLAN

ATTACHMENT.SUPPLEMENTAL.6 – REVISED FLOOR PLAN

05809



Rhea
Hamilton
Bradley
McMinn

ATTACHMENT NEED 3 – SERVICE AREA

ATTACHMENT ECONOMIC FEASIBILITY 1 – RENOVATION COSTS



Architecture ■ Engineering

June 10, 2013

Ms. Melanie M. Hill, Executive Director
Tennessee Health Services and Development Agency
Frost Building, 3rd Floor
161 Rosa L. Parks Boulevard, Nashville, TN 37243

Re: Renovation Costs

Dear Ms. Hill:

This letter confirms that the total cost incurred by Center for Spine and Pain Medicine, P.C. to renovate the medical office and surgical suite at 7446 Shallowford Road, Suite 102, Chattanooga, Tennessee 37421 was \$534,000. The surgical suite portion accounts for approximately 43% of the total office space (with CSPM's clinical space covering the remaining 57%). Given this apportionment, the cost of renovating the surgical suite was \$229,620.

Renovation on this project was completed prior to CSPM commencing operations in February 2012.

If you have any questions, please let me know.

Sincerely,

Michael A. Rossi, AIA
Hill Foley Rossi & Associates, LLC
Managing Member

ATTACHMENT ECONOMIC FEASIBILITY 2 – REGIONS LETTER



June 5, 2013

Ms. Melanie M. Hill, Executive Director
Tennessee Health Services & Development Agency
Andrew Jackson State Office Building, Suite 850
500 Deaderick Street
Nashville, TN 37243

RE: Dr. Sadiq Sohani, Center for Spine and Pain Medicine, PC
SS & AS Family, LP

Dear Ms. Hill,

This letter is to confirm that construction of the medical office facility at 744 Shallowford Rd, Chattanooga, TN 37421, which has been completed, was financed through a commercial loan from Regions Bank to SS & AS Family, LP in the amount of \$736,312 in February 2012. No further financing has been requested in connection with this project. Currently Dr. Sohani is in good standing on all repayment obligations and is considered an excellent client of Regions Bank.

Sincerely,

A handwritten signature in black ink, appearing to read "Seth Cole", written over a horizontal line.

Seth Cole
VP, Regions Bank

ATTACHMENT ECONOMIC FEASIBILITY 10 – FINANCIAL STATEMENTS

Center For Spine and Pain Medicine P.C.
Balance Sheet
As of December 31, 2012

	<u>Dec 31, 12</u>
ASSETS	
Current Assets	
Checking/Savings	
CSPM OPERATING COHUTTA	416,032.86
Petty Cash	200.00
PHARMACY	7,445.58
Total Checking/Savings	423,678.44
Other Current Assets	
Other Loans Pharmacy	104,000.00
Other Loans Shamlik	50,250.00
Employee Advance	1,600.00
Loan to Dr. Sohani	545,310.71
Other advances	1,000.00
Prepaid Federal Income Tax	22,307.00
Total Other Current Assets	724,467.71
Total Current Assets	1,148,146.15
Fixed Assets	
Accumulated Depreciation	-223,996.86
Airconditioner	2,635.00
AUTOMOBILE	80,742.00
Furniture and Equipment	45,488.54
Medical Equipment	225,446.27
Office Computers	21,790.01
Software	8,898.48
Total Fixed Assets	140,803.34
TOTAL ASSETS	<u>1,288,949.49</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
AMERICAN EXPRESS	20,086.81
Total Credit Cards	20,086.81
Other Current Liabilities	
401K Payable	-6,076.90
Federal income Tax payable	-298,693.00
Total Other Current Liabilities	-304,769.90
Total Current Liabilities	-284,683.09
Total Liabilities	-284,683.09
Equity	
Capital Stock	1,000.00
Shareholder Distributions	-1,437,740.61
Retained Earnings	1,947,657.12
Net Income	1,062,516.07
Total Equity	1,573,632.58
TOTAL LIABILITIES & EQUITY	<u>1,288,949.49</u>

Center For Spine and Pain Medicine P.C.
Profit and Loss
 January through December 2012

	<u>Jan - Dec 12</u>
Ordinary Income/Expense	
Income	
Patient Fee Income	5,370,554.08
Refunds	-38,177.26
Total Income	<u>5,332,376.82</u>
Expense	
Outside Services	235.58
Pest control	465.00
Taxes Payroll	452,061.47
Taxes - Property	1,616.22
Postage and Delivery	3,353.38
Miscellaneous Expense	55.98
Office Supplies	23,621.74
Janitorial Expense	3,820.00
Dues and Subscriptions	7,658.00
401K expense	850.00
401k Match	64,416.22
Advertising and Promotion	17,091.86
Bank Service Charges	4,359.98
Billing Service Fees Paid	8,612.94
Charitable Contributions	250,050.00
Collection Expense	2,970.35
Computer and Internet Expenses	
COMPUTER REPAIR	760.00
Computer and Internet Expenses - Other	328.32
Total Computer and Internet Expenses	<u>1,076.32</u>
Continuing Education	5,032.86
Dental Insurance	554.15
Employee Expense	503.09
Equipment Rental	3,774.48
Insurance Expense	
General Liability Insurance	8,144.00
Health Insurance	139,150.99
Life and Disability Insurance	5,021.25
Malpractice Insurance	12,408.00
Worker's Compensation	2,315.02
Insurance Expense - Other	1,216,576.00
Total Insurance Expense	<u>1,383,615.26</u>
Legal & professional fees	7,313.78
Management fees	400,000.00
Meals and Entertainment	3,762.21
Medical Records and Supplies	
Medical Supplies	141,348.81
Medical Records and Supplies - Other	3,650.00
Total Medical Records and Supplies	<u>144,998.81</u>
Office Expense	310.33
Payroll Expenses	
Payroll Fees	2,938.77
Salaries & Wages	905,530.00
Payroll Expenses - Other	130.00
Total Payroll Expenses	<u>908,598.77</u>
Professional Fees	41,534.00
Rent Expense	382,212.50
Repairs and Maintenance	30,948.95
Safe Harbour Contribution	22,083.11
Taxes & Licenses	1,502.25
Transcription Services	391.70

Center For Spine and Pain Medicine P.C.
Profit and Loss
 January through December 2012

	<u>Jan - Dec 12</u>
Travel Expense	
Automobile Expense	18,374.31
Auto Rental	482.05
Hotel	1,326.04
Meals	359.16
Travel Expense - Other	8,058.80
Total Travel Expense	<u>28,600.36</u>
Utilities	<u>40,138.95</u>
Total Expense	<u>4,248,191.38</u>
Net Ordinary Income	1,084,185.44
Other Income/Expense	
Other Income	
Other Income	4,452.78
Total Other Income	<u>4,452.78</u>
Other Expense	
Life Insurance premium	25,072.15
Sales tax	1,050.00
Total Other Expense	<u>26,122.15</u>
Net Other Income	<u>-21,669.37</u>
Net Income	<u><u>1,062,516.07</u></u>

ATTACHMENT ORDERLY DEVELOPMENT 3 – PERSONNEL SERVICES
COMMITMENT LETTER

June 10, 2013

CSPM Surgery Center, LLC
Attn: Sadiq Sohani, M.D.
7446 Shallowford Rd, Suite 102
Chattanooga, TN 37421

Re: Sublease

Dear Dr. Sohani:

We understand that CSPM Surgery Center, LLC (the "LLC") is in the process of applying for a certificate of need to establish an ambulatory surgical treatment center (the "Chattanooga ASTC") at 7446 Shallowford Road, Suite 102, Chattanooga, TN 37421.

Assuming the LLC's certificate of need application is successful, CSPM will enter into a personnel services agreement with the LLC (the "Agreement") to provide the LLC with certain personnel services in connection with the LLC's operation of the Chattanooga ASTC. The Agreement shall be for a term of at least one year at a fair market value rate to be mutually agreed upon by the parties.

We look forward to working with you in this endeavor. Please let us know if you have any questions.

Sincerely yours,

Center for Spine and Pain Medicine, P.C.

By: 

Suleman Sohani, Practice Administrator

23265_00/1301/DSG-1642962_1

ATTACHMENT – SUPPORT LETTERS

Apple Physical Medicine & Rehabilitation

Nicholas J. Circolone, D.C.

John F. Dooley, III, P.T., D.P.T., MS

7446 Shallowford Road, Suite 101, Chattanooga, TN 37421

Telephone (423) 855-7376 Fax (423) 855-8455

6/04/13

Ms. Melanie Hill, Executive Director
Tennessee Health Services & Development Agency
The Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

Dear Ms. Hill:

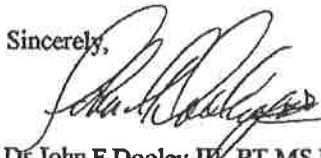
I am writing this letter in support of the application for a Certificate of Need filed by Dr. Sohani and CSPM Surgery Center, LLC to establish a ambulatory surgical treatment center in the Chattanooga region focused on providing spine-focused pain management services.

As a doctor of physical therapy and board certified electroneuromyographer, I routinely refer patients to Dr. Sohani's medical practice, Center for Spine and Pain Medicine, P.C., for spine-focused pain treatment. I trust Dr. Sohani with my patients because he is board-certified in anesthesiology and pain management and is experienced in treating non-surgical spine problems. In particular, I appreciate that Dr. Sohani advocates conservative pain management in treating spine disorders through a multi-disciplinary approach that may include pain management procedures along with appropriate pain medications.

If this project is approved, I will refer my patients to Dr. Sohani's new Chattanooga-based surgery center for spine-focused pain treatment.

I wholeheartedly support this CON application and hope that the Agency will approve this project. Our community needs qualified, pain management care and we are so grateful that Dr. Sohani is willing to provide such services.

Sincerely,



Dr John F Dooley III, PT,MS,ECS

Apple Physical Medicine & Rehabilitation

Nicholas J. Circolone, D.C.

John F. Dooley, III, P.T., D.P.T., M.S.

7446 Shallowford Road, Suite 101, Chattanooga, TN 37421

Telephone (423) 855-7376 Fax (423) 855-8455

6/05/2013

Ms. Melanie Hill, Executive Director
Tennessee Health Services & Development Agency
The Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

Dear Ms. Hill:

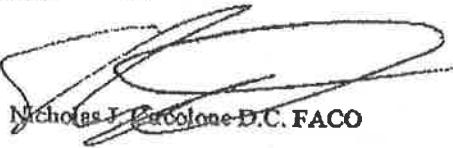
I am writing this letter in support of the application for a Certificate of Need filed by Dr. Sohani and CSPM Surgery Center, LLC to establish an ambulatory surgical treatment center in the Chattanooga region focused on providing spine-focused pain management services.

As a Chiropractic Orthopedist, I routinely refer patients to Dr. Sohani's medical practice, Center for Spine and Pain Medicine, P.C., for spine-focused pain treatment. I trust Dr. Sohani with my patients because he is board-certified in anesthesiology and pain management and is experienced in treating non-surgical spine problems. In particular, I appreciate that Dr. Sohani advocates conservative pain management in treating spine disorders through a multi-disciplinary approach that may include pain management procedures along with appropriate pain medications.

If this project is approved, I will refer my patients to Dr. Sohani's new Chattanooga-based surgery center for spine-focused pain treatment.

I wholeheartedly support this CON application and hope that the Agency will approve this project. Our community needs qualified, pain management care and we are so grateful that Dr. Sohani is willing to provide such services.

Sincerely,


Nicholas J. Circolone D.C. F.A.C.O.

M. Amjad Munir, M.D.

Diplomate American Board of
Physical Med: & Rehabilitation

Board Certified in
Pain Medicine

Diplomate American Board
of Electrodiagnostic Medicine

2339 McCallie Ave, # 403
Chattanooga, TN 37404

Ph: 423-499-8189
Fax: 423-648-4302

June 4, 2013

Ms. Melanie Hill, Executive Director
Tennessee Health Services & Development Agency
The Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

Dear Ms. Hill:


I am writing this letter in support of the application for a Certificate of Need filed by Dr. Sohani and CSPM Surgery Center, LLC to establish a ambulatory surgical treatment center in the Chattanooga region focused on providing spine-focused pain management services.

As a physiatrist and non-invasive pain management physician, I routinely refer patients to Dr. Sohani's medical practice, Center for Spine and Pain Medicine, P.C., for spine-focused pain treatment. I trust Dr. Sohani with my patients because he is board-certified in anesthesiology and pain management and is experienced in treating non-surgical spine problems. In particular, I appreciate that Dr. Sohani advocates conservative pain management in treating spine disorders through a multi-disciplinary approach that may include pain management procedures along with appropriate pain medications.

If this project is approved, I will refer my patients to Dr. Sohani's new Chattanooga-based surgery center for spine-focused pain treatment.

I wholeheartedly support this CON application and hope that the Agency will approve this project. Our community needs qualified, pain management care and we are so grateful that Dr. Sohani is willing to provide such services.

Sincerely,


Muhammad A. Munir, M.D.

EMG/NCS AND PAIN MANAGEMENT

ATTACHMENT – PUBLICATION OF INTENT

2013 JUN 14 PM 1 40

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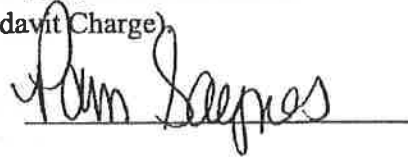
CHAMBLISS BAHNER & STOPHEL

CERTIFICATE OF NEED CSPM
SURGERY CENTER**STATE OF TENNESSEE
HAMILTON COUNTY**

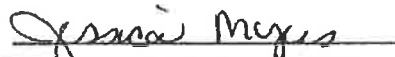
Before me personally appeared Pam Saynes who being duly sworn, that she is the Legal Sales Representative of the "CHATTANOOGA TIMES FREE PRESS" and that the Legal Ad of which the attached is a true copy, has been published in the above said Newspaper on the following dates, to-wit:

June 10, 2013

And that there is due or has been paid the "CHATTANOOGA TIMES FREE PRESS" for publication of such notice the sum of \$208.80 Dollars. (Includes \$10.00 Affidavit Charge).



Sworn to and subscribed before me, this 10th day of June 2013.



My Commission Expires 7/20/2016

Chattanooga Times Free Press

2013 JUN 14 PM 1 40

**NOTIFICATION OF INTENT
TO APPLY FOR A
CERTIFICATE OF NEED**

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that:

CSPM Surgery Center., owned by CSPM Surgery Center, LLC, with an ownership type of limited liability company and managed by itself, intends to file an application for a Certificate of Need for the establishment of a single-specialty ambulatory surgical treatment center at 7446 Shallowford Rd., Suite 102, Chattanooga, TN at a cost estimated for CON purposes at \$514,556.63. Use of this facility will be limited to patients of Center for Spine and Pain Medicine, P.C., an established medical practice. The ASTC will provide interventional pain management services and will have one operating room. No major medical equipment or in-patient beds are affected by this project.

The anticipated date of filing the application is: June 14, 2013.

The contact person for this project is Douglas S. Griswold, attorney for the applicant, who may be reached at Chambliss, Bahner & Stophel, P.C., 605 Chestnut St., Ste. 1700, Chattanooga, TN 37450 and by phone at 423/757-0262.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

**Health Services and Development Agency
The Frost Building, Third Floor
161 Ross L. Parks Boulevard
Nashville, Tennessee 37243**

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

AFFIDAVIT 2013 JUN 14 PM 1 40

STATE OF TENNESSEE

COUNTY OF HAMILTON

DOUGLAS S. GRISWOLD

being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

[Signature] Attorney
SIGNATURE/TITLE

Sworn to and subscribed before me this 13 day of June 2013 a Notary
(Month) (Year)

Public in and for the County/State of HAMILTON

Pamela B. Hallum
NOTARY PUBLIC

My commission expires October 9 2013
(Month/Day) (Year)



Copy

Supplemental #1

**CSPM Surgery Center,
LLC**

CN1306-021

2013 JUN 28 AM 9 29

SUPPLEMENTAL- #

June 28, 201

9:31 am

SUPPLEMENT

TO

APPLICATION FOR CERTIFICATE OF NEED

MADE BY:

CSPM SURGERY CENTER, LLC

MADE TO:

TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

FILED:

JUNE 28, 2013

1. Section A, Applicant Profile, Item 3 2013 JUN 28 AM 9 29

Documentation from the Tennessee Secretary of State that acknowledges and provides a certificate of corporate existence for CSPM surgery Center is noted. Please also provide a certificate from the Tennessee Secretary of State for Center for Spine and Pain Management, P.C.

Response: A certificate of corporate existence for Center for Spine and Pain Medicine, P.C. is attached as Attachment.Supplemental.1.

2. Section A, Applicant Profile, Item 8

Please specify the type of health care service the applicant intends to initiate in Item 8.D and submit a replacement page.

Response: The applicant is not initiating any health care services covered under Item 8.D per the requirements of TCA 68-11-1607(4). A replacement page acknowledging this fact is attached as Attachment.Supplemental.2.

3. Section B, Project Description, Item 1

Please list and describe the certain conditions the applicant needs to fulfill in order to be enrolled with Medicare as an ASTC.

Response: In order to obtain enrollment with Medicare as an ASTC, the applicant must satisfy the Medicare conditions of coverage set forth in 42 CFR § 416.40-52. These conditions include:

- 416.40- Compliance with State licensure law
- 416.41- Governing body and management
- 416.42- Surgical services
- 416.43- Quality assessment and performance improvement
- 416.44- Environment
- 416.45- Medical staff
- 416.46- Nursing services
- 416.47- Medical records
- 416.48- Pharmaceutical services
- 416.49- Laboratory and radiologic services
- 416.50- Patient rights
- 416.51- Infection control
- 416.52- Patient Admission, assessment and discharge

A copy of the actual regulations is attached as Attachment.Supplemental.3A.

Note that the Surgery Suite has been deemed compliant with all such conditions of enrollment by virtue of having received Joint Commission accreditation.

Specifically, Medicare deems Joint Commission accreditation as evidence that a provider has satisfied its conditions of enrollment. See 42 CFR 416.26(a).

Please indicate what type of certain surgical procedures the applicant states that can only be performed in a licensed setting.

Response: The applicant believes that a number of the pain management procedures are more appropriately performed in an ASTC setting, including:

- Cervical, Thoracic and Lumbar Radiofrequency Ablation
- Lumbar Discogram
- Spinal Cord Stimulator
- Stellate Ganglion Block
- Celiac Plexus Block
- Lumbar Sympathetic Block
- Cervical Transforaminal Epidural Steroid Injection
- Cervical, Thoracic and Lumbar Epidural Steroid Injection

The applicant indicates the Center for Spine and Pain Medicine, P.C. is accredited through the Joint Commission. A review of the Joint Commission Quality Report for the applicant indicates the available services for the applicant is "Pain Management-Trigger Point Injections (Outpatient)". Does this mean only trigger point injections are accredited by the Joint Commission? Also, please clarify if CSPM is accredited as an Ambulatory Surgery Center or an office-based surgery center by The Joint Commission. In addition, please clarify if The Joint Commission Certification for CSPM only applies to CSPM Surgery Center, or does the proposed LLC need to seek Joint Commission Accreditation separately?

Response: The Joint Commission accredits all procedures performed in the ASTC setting and not just trigger point injections.

As mentioned in the original application, the Surgical Suite is accredited as an ASTC. Accreditation means that The Joint Commission has certified that the Surgical Suite is compliant with all conditions of coverage for enrollment in the Medicare program as an ASTC. These conditions are described above.

The Joint Commission accreditation for the Surgical Suite was originally obtained by CSPM in November 2012. Upon approval of this application, the accreditation status for the Surgical Suite will be updated to reflect the transfer in control of the Surgical Suite from CSPM to the applicant. Nothing will change from a patient care standpoint.

Please use The Joint Commission web-site and query the number of Ambulatory Surgery Centers within 50 miles of the applicant that are Joint Commission accredited.

Response: A list of these facilities is attached as Attachment,Supplemental.3B.

The applicant has provided a list of procedures currently performed in Attachment B.I. Please clarify if all the procedures listed require fluoroscopic guidance.

Response: All procedures listed on Attachment B.1 require fluoroscopic guidance with the exception of the trigger point injections.

The applicant indicates ownership of a licensed ASTC in Georgia. Please clarify if the applicant received a certificate of need from Georgia for the facility. Is the Dalton, Georgia location also Medicare certified as an ASTC?

Response: The Dalton facility did not receive a certificate of need from Georgia by virtue of having received a Letter of Non-Reviewability in lieu of a certificate of need. Notwithstanding the foregoing, the Dalton facility is licensed in Georgia as an ASTC and a copy of the license is attached as Attachment,Supplemental.3C.

The Dalton ASTC is certified with Medicare as an ASTC. Confirmation of such certification is attached as Attachment,Supplemental.3D.

The applicant states additional physicians may be added as the practice grows. At what threshold would warrant additional physicians for the proposed project? Please indicate if Nurse Practitioners, Physicians Assistants, Anesthesiologist or Chiropractors would be involved with the proposed project.

Response: To the extent necessary to accommodate patient growth at CSPM, the applicant may require the services of additional physicians to oversee the performance of procedures in the ASTC. The applicant projects that additional physician services would be required if the ASTC were to expand to three full days of operation. Currently, Dr. Sohani can handle all physician services required to operate the ASTC one day per week and has the capacity to handle a second full day per week.

No nurse practitioners, physicians assistants or chiropractors are expected to be hired as they are not qualified to oversee the performance of pain management procedures in the ASTC.

The applicant states CSPM provides services in Chattanooga one day per week on Wednesdays from 9:00 am to 4:30 pm and intends to maintain this schedule for the proposed ASTC. Does the site remain unused for the remaining four days of the week? Is there another medical service that occupies the site during those four days?

Response: The site is currently unused the remaining four days each week. CSPM is the only medical service provider that currently occupies the Chattanooga

location. As such, the applicant has capacity to expand its services in Chattanooga as CSPM's patient population expands.

Please provide documentation that Dr. Sadiq Sohani is currently certified in pain medicine.

Response: See certification attached as Attachment.Supplemental.3E. Note that Dr. Sohani is scheduled to renew his certification in September 2013.

4. Section B, (Project Description) Item II.A.

The applicant states the Chattanooga ASTC will share 2,957 square feet of medical office space with the medical practice of CSPM. Please clarify if this space is already in use by the applicant, if so, for what purpose?

Response: The medical office space is currently divided between the clinical space used by CSPM (defined in the application as the "Clinical Space") and the surgical space where pain management surgical procedures are currently performed on CSPM's patients (defined in the application as the "Surgical Suite"). This arrangement will continue following approval of this application, the only difference being that the Surgical Suite will be operated by the applicant as an ASTC.

It should be noted that SS&AS Family, LP, wholly owned by Dr. Sohani and his wife and the lessor of the Clinical Space and Surgical Suite, actually owns 4,950 square feet of office space at the Chattanooga location. As cited above, 2,957 square feet is leased to CSPM and the ASTC. The remaining 1,993 square feet is leased to PrimeLending, a mortgage broker company based out of Dallas, Texas. Prime Lending is unaffiliated with CSPM or the applicant.

5. Section B, (Project Description) Item III (Plot Plan)

Please submit a revised plot plan that indicates the location of the applicant's structure.

Response: A revised plot plan is attached as Attachment.Supplemental.5.

The applicant states the facility is located in one of the two 15,000 square foot facilities located in the office park. The unit square footage in the plot plan adds up to 16,000 square feet. Please clarify.

Response: The 16,000 square footage amount is accurate.

Also, the applicant on page 8 states the proposed /Chattanooga ASTC will share 2,957 square feet of medical office space. It is assumed Suite 102 is "Unit B" on the

proposed plot plan that has 2,800 square feet. Please clarify the difference in square footage.

Response: Suite 102 is actually Unit "C" on the attached plot plan. As cited above in Question 4, all 4,950 square feet of Unit C are owned by SS&AS Family, LP. The combined medical office of CSPM and ASTC currently comprise 2,957 of the total square footage. The remaining 1,993 square feet is currently leased by SS&AS to Prime Lending, a mortgage company based out of Dallas, Texas. Its address is listed as Suite 102A.

Please indicate and describe the type of businesses that occupy Suite 101 and Suite 103 of the same building the applicant currently occupies.

Response: Suite 101 is occupied by Apple Physical Medicine & Rehabilitation, a chiropractic practice. Suite 103 is occupied by PM Pediatrics, a night time urgent care clinic for pediatric patients.

6. Section B, (Project Description) Item IV (Floor Plan)

Please indicate the location of the x-ray and fluoroscopy equipment on the floor plan.

Response: A copy of the updated plot plan with x-ray and fluoroscopy identified is attached as Attachment.Supplemental.6.

7. Section C, Need Item 1(Specific Criteria –ASTC)

Please complete the Certificate of Need Standards and Criteria for Ambulatory Surgical Treatment Centers (ASTCs) revised May 23, 2013. The revised ASTC certificate of need standards and criteria is located as an attachment to this document.

Determination of Need

- 1. Need.** The minimum numbers of 884 Cases per Operating Room and 1867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need. An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also

recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

Response: As cited in the original application, the applicant is applying for a single-specialty ASTC in Chattanooga limited to providing pain management services to only the patients of CSPM. These procedures will be performed in a single Procedure Room (referred to in the application as the "Surgical Suite").

The Surgical Suite qualifies as a Procedure Room because none of the pain management procedures to be performed therein require general anesthesia and the Surgical Suite will not be equipped to provide such sedation. In fact, approximately 80% of the procedures require NO sedation and the other 20% requires mild intravenous sedation. Dr. Sohani, who is a licensed anesthesiologist, will perform all procedures and administer all necessary sedation.

At least initially, the Chattanooga ASTC will operate only one day per week. Operations may expand as the Chattanooga medical practice of CSPM grows, but initial projections herein are based on the assumption of one operating day per week and 50 operating days per year.

Given the limited operating schedule, the applicant projects approximately 500 cases in Year 1 and 550 cases in Year 2. Such projections are based on the following assumptions:

- The Chattanooga ASTC will operate only one eight hour day per week.
- The Chattanooga ASTC is limited to patients of CSPM only.
- Currently, the applicant is on pace in 2013 to treat 450 patients at CSPM's Chattanooga medical office. Assuming one case performed on each CSPM patient at the Chattanooga ASTC, the total number of cases will equal the numbers set forth above.
- The applicant is now projecting a conservative 10-15% increase in the number of patients at CSPM in 2014 and 2015. Such increase is based on a number of factors, including the natural evolution of Dr. Sohani's practice (i.e., increased name recognition in the local medical and patient community), increased marketing efforts and the general trend of patients to receive pain management services in a licensed setting rather than settings where pain management is not a focus (e.g., primary care or internal medicine physician offices, chiropractic offices, spine surgeon offices, etc.).
- These numbers are also conservative if compared with current

utilization at CSPM's Dalton ASTC, which operates only two full days per week and is limited solely to CSPM patients. Specifically, its utilization numbers for the past three years are as follows: (i) 2012, 1,776 cases; (ii) 2011, 1,832 cases and (iii) 2010, 1,939 cases. Like the Chattanooga ASTC, the Dalton ASTC operates only one Procedure Room. As such, even given the extra day of operation in Dalton, the current utilization at Dalton shows that there is a capacity for a significant number of cases to be performed on a one day schedule in Chattanooga.

- Most cases performed in the Chattanooga ASTC (approximately 80-85%) will last approximately 15-20 minutes (including procedure and preparation time). About 15-20% of cases will take longer (about 30 minutes in total).
- Based on procedure times, the applicant projects capacity for a full caseload of 25 surgeries per day.

As noted above, these projections are based on the current patient population of CSPM's medical practice and the ASTC's limited operating schedule. The Chattanooga ASTC has the *capacity* to operate five days per week and will do so if the demand from the CSPM medical practice arises. Applying the current projections to a five day operating week leads to the following projections:

<u>Year</u>	<u>One Day Projections</u>	<u>Five Day Projections</u>
2013	450 cases	2,250 cases
2014	500 cases	2,500 cases
2015	550 cases	2,750 cases

Thus, to the extent CSPM's medical practice in Chattanooga grows to the point where five days of operations is necessary, the Chattanooga ASTC will have the capacity to expand operations accordingly based on current assumptions. This is significant because it demonstrates that the Chattanooga ASTC has the capacity to satisfy the State Health Plan criteria for procedures per operating room in the event of a five day operating schedule.

In closing, it is important to reemphasize that the Chattanooga ASTC will serve only the patients of CSPM and thus its operations will expand only as the needs of the medical practice dictate. Thus, even to the extent that the Chattanooga ASTC operates only one day per week, it will be operating at an appropriate capacity to meet the needs of the patients of CSPM.

2. Need and Economic Efficiencies. An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of

surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

Response: As noted above, the applicant intends to operate, at least initially, one day per week for eight hours (approximately 9:00 am to 5:00 pm). The ASTC will be operated to perform pain management procedures on behalf of the patients of CSPM. Dr. Sohani will perform all pain management procedures in the ASTC.

Generally speaking, the pain management procedures will take approximately 15-30 minutes total (encompassing both procedure and prep time). The large majority (approximately 80-85%) will take only 15-20 minutes. These procedures include joint injections, nerve blocks, epidurals and facet injections, SIJ injections, Sympathetic Blocks. The other 15-20% of procedures take about 30 minutes of combined preparation and procedure time. These procedures include RFLs, Discogram and Vertebroplasty.

Based on this mix of procedure times, the applicant conservatively projects that it can perform 25 surgical cases per each eight hour day of operation. This suggests a one day capacity of approximately 1,250 procedures per year. Thus, the projected utilization is reasonable given the projected surgical hours for the first two years of operation.

- 3. Need; Economic Efficiencies; Access.** To determine current utilization and need, an applicant should take into account both the availability and utilization of either: a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available³) OR b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

Response: There are currently two other ASTCs in the Service Area focused exclusively on providing pain management services: Chattanooga Pain Surgery Center in Hixson, Tennessee and CSPM's Dalton ASTC in Georgia. Other multi-specialty ASTCs also perform pain management services, but this is not a focus at these facilities. The current utilization for these other facilities is included in the response to Question #11 of this Supplemental

Application. Current utilization at the Dalton ASTC is listed above in the response to these State Health Plan criteria.

While utilization varies at these existing ASTCs, the applicant believes that there is a significant need for additional pain management services for the following reasons:

- Many pain management procedures are performed in a wide variety of office based settings (primary care, internal medicine, chiropractic, orthopedic, neurology, etc.) where utilization numbers are not reported to the State. As such, the number of pain management procedures being performed in the Service Area is likely much higher than what is currently reported to the State.
- While some pain management procedures may be acceptably performed in non-licensed settings, there is a much higher standard of care to be offered having the same procedures performed in a licensed setting dedicated solely to the performance of pain management procedures. Given this higher standard of care, the applicant believes many patients and their providers will seek to transition their pain management care to a licensed facility like the Chattanooga ASTC.
- Dr. Sohani is active in meeting with other providers in the Service Area to educate them on the benefits of licensed pain management care and believes that through such education the number of patients receiving licensed pain management care will increase as the benefits of such care become more widely known.

4. Need and Economic Efficiencies. An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are know and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

Response: As cited above, there are two ASTCs located within the Service Area and surrounding community that focus primarily on pain management procedures: Chattanooga Pain Surgery Center and CSPM's Dalton ASTC.

As noted above, the Dalton ASTC operates only two days per week and is limited to serving only patients of CSPM. It operates one Procedure Room and its utilization has ranged from 1,776 cases in 2012 to 1,939 cases in 2010. Thus, the utilization at the Dalton ASTC approximates the 70% utilization standard set forth in these criteria, despite operations being limited to only two days per week. This utilization will not be affected by the licensing of the Chattanooga ASTC.

Chattanooga Pain Surgery Center operates one Operating Room and two Procedure Rooms. Based on JAR data from 2010 and 2011, this facility performed 1,884 cases per room in 2010 and 1,080 cases per room in 2011. 2012 data was not reported. The applicant does not know the reason for the drop in cases from 2010 to 2011 and whether the utilization increased back to 2010 numbers in 2012. It should be noted however, that 5,924 cases were performed in 2009 (or 1,975 cases per room) and thus it is reasonable to assume that the number of cases could have increased back above the 70% standard in 2012.

Regardless of the utilization at the current pain management focused ASTCs in the local area, it is important to note that the Chattanooga ASTC will be limited to serving only the patients of CSPM. Thus, it will not provide capacity for other surgeons in the community. Moreover, the applicant has no intent of competing with other local ASTCs – the focus again is on serving the needs of CSPM's patient population. The applicant is confident, however, that this patient population will grow as CSPM's presence in the community becomes more established and this confidence is based on the factors described in Response #3 above with respect to a higher standard of patient care and increased provider education.

Bottom line, given the limited scope of the ASTC's operation to the CSPM medical practice, the applicant does not believe that this facility will negatively impact other ASTCs in the local community.

5. **Need and Economic Efficiencies.** An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

Response: As cited above, the applicant is applying for a single-specialty ASTC in Chattanooga limited to providing pain management services to only

the patients of CSPM. These procedures will be performed in a single Procedure Room. The Surgical Suite qualifies as a Procedure Room because none of the pain management procedures to be performed therein require general anesthesia and the Surgical Suite will not be equipped to provide such sedation. In fact, approximately 80% of the procedures require NO sedation and the other 20% requires mild form of intravenous sedation. Dr. Sohani, who is a licensed anesthesiologist, will perform all procedures and administer all necessary sedation.

As noted above, the ASTC will operate one day per week. Given the limited operating schedule, the applicant projects approximately 500 cases in Year 1 and 550 cases in Year 2. Such projections are based on the following assumptions:

- The Chattanooga ASTC will operate only one eight hour day per week.
- The Chattanooga ASTC is limited to patients of CSPM only.
- Currently, the applicant is on pace in 2013 to treat 450 patients at CSPM's Chattanooga medical office. Assuming one case performed on each CSPM patient at the Chattanooga ASTC, the total number of cases will equal the numbers set forth above.
- The applicant is now projecting a conservative 10-15% increase in the number of patients at CSPM in 2014 and 2015. Such increase is based on a number of factors, including the natural evolution of Dr. Sohani's practice (i.e., increased name recognition in the local medical and patient community), increased marketing efforts and the general trend of patients to receive pain management services in a licensed setting rather than settings where pain management is not a focus (e.g., primary care or internal medicine physician offices, chiropractic offices, spine surgeon offices, etc.).
- These numbers are also conservative if compared with the current utilization at CSPM's Dalton ASTC, which operates only two full days per week and is limited solely to CSPM patients. Specifically, its utilization numbers for the past three years are as follows: (i) 2012, 1,776 cases; (ii) 2011, 1,832 cases and (iii) 2010, 1,939 cases. Like the Chattanooga ASTC, the Dalton ASTC operates only one Procedure Room. As such, even given the extra day of operation in Dalton, the current utilization at Dalton shows that there is a capacity for a significant number of cases to be performed on a one day schedule in Chattanooga.
- Most cases performed in the Chattanooga ASTC (approximately 80-85%), will last approximately 15-20 minutes (including procedure and preparation time). About 15-20% of cases will take longer (about 30 minutes in total).
- Based on procedure times, the applicant projects capacity for a full caseload of 25 surgeries per day. This equates to 1,250 procedures per day per year.

These projections are based on the current patient population of CSPM's medical practice and the ASTC's limited operating schedule. The Chattanooga ASTC has the *capacity* to operate five days per week and will do so if the demand from the CSPM medical practice arises.

As cited in the response to Question #4 above, the applicant does not believe approval of this application will negatively impact other existing pain management ASTCs in the local community.

Other Standards and Criteria

- 6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.**

Response: The majority of the population in the Service Area resides within 30 minutes average driving time to the Chattanooga ASTC, and almost the entire patient population will reside within 60 minutes of the facility.

- 7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available.**

Response: The Chattanooga ASTC is located one-half mile off Interstate 75 and within mere minutes of Hamilton Place Mall, which is the largest shopping center in the Chattanooga region. The nearest public transit bus stop is located minutes away at Hamilton Place Mall. Patient transportation can also be accommodated through county operated transportation services like Hamilton County Express.

- 8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.**

Response: As cited in the original application, the applicant anticipates at least 75% of its patients coming from the primary Service Area of Hamilton, Bradley, Rhea and McMinn counties. Such projections are based on the current patient population of CSPM. The applicant also anticipates roughly

15% of its patients coming from other Tennessee counties, mainly Sequatchie, Polk and Marion counties, and 10% from North Georgia, mainly Catoosa and Whitfield counties. Again, these numbers are based on the current patient origins of the CSPM medical practice.

A detailed analysis of the demographics of the primary Service Area is set forth in the response to Question 9 of this Supplemental Application.

An analysis of the other ASTCs performing pain management procedures in the Service Area is listed in response to Question 11 of this Supplemental Application.

- 9. Access and Economic Efficiencies.** An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

Response: The applicant projects the following quarterly utilization of the Chattanooga ASTC during the first two years of operation:

<u>Quarter</u>	<u>Year 1</u>	<u>Year 2</u>
Q1	120	130
Q2	125	135
Q3	125	140
Q4	130	145

These projections are based on the following assumptions:

- The Chattanooga ASTC will operate only one eight hour day per week.
- The Chattanooga ASTC is limited to patients of CSPM only.
- Currently, the applicant is on pace in 2013 to treat 450 patients at CSPM's Chattanooga medical office. Assuming one case performed on each CSPM patient at the Chattanooga ASTC, the total number of cases will equal the numbers set forth above.
- The applicant is now projecting a conservative 10-15% increase in the number of patients at CSPM in 2014 and 2015. Such increase is based on a number of factors, including the natural evolution of Dr. Sohani's practice (i.e., increased name recognition in the local medical and patient community), increased marketing efforts and the general trend of patients to receive pain management services in a licensed setting rather than settings where pain management is not a focus (e.g., primary care or internal medicine physician offices, chiropractic offices, spine surgeon offices, etc.).
- These numbers are also conservative if compared with the current

utilization at CSPM's Dalton ASTC, which operates only two full days per week and is limited solely to CSPM patients. Specifically, its utilization numbers for the past three years are as follows: (i) 2012, 1,776 cases; (ii) 2011, 1,832 cases and (iii) 2010, 1,939 cases. Like the Chattanooga ASTC, the Dalton ASTC operates only one Procedure Room. As such, even given the extra day of operation in Dalton, the current utilization at Dalton shows that there is a capacity for a significant number of cases to be performed on a one day schedule in Chattanooga.

- Most cases performed in the Chattanooga ASTC (approximately 80-85%) will last approximately 15-20 minutes (including procedure and preparation time). About 15-20% of cases will take longer (about 30 minutes in total).
- Based on procedure times, the applicant projects capacity for a full caseload of 25 surgeries per day. This equates to 1,250 procedures per day per year.
- These projections reflect a gradual ramp-up of the case volume as the medical practice and ASTC become more established in the community.

10. Patient Safety and Quality of Care; Health Care Workforce.

- a. **An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.**

Response: As noted above, the Surgical Suite was accredited by The Joint Commission in November 2012. This accreditation will be assigned to the applicant upon approval of this application.

- b. **An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.**

Response: As noted above, Dr. Sohani is the only physician who will utilize the Chattanooga ASTC. If additional physician services are necessary to meet the growing demands of CSPM's medical practice, such physicians will be employed by CSPM. Any ancillary staff needed to operate the facility will be leased by the applicant from CSPM.

11. Access to ASTCs. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

Response: The proposed Service Area covers Hamilton, Bradley, Rhea and McMinn counties. Both Rhea and McMinn counties are designated as medically underserved areas. Bradley and Hamilton Counties are designated as partially medically underserved areas.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;

Response: Not applicable.

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

Response: The applicant will contract with all TennCare MCO operating in East Tennessee and projects at least 20% of its patient population as being covered by TennCare (based on CSPM's patient population). The applicant will also contract with Medicare and projects at least 37% of its patient population as being covered by Medicare (again based on CSPM's payor mix).

- d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times. The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

Response: As cited above, the applicant projects that a large majority (at least 80%) of its cases will require about 20 minutes total for preparation and procedure time. However, some specialized cases such as RFLs, kyphoplasties, and vertebroplasties will require longer times (at least 30 minutes) and the applicant will accommodate such longer procedure times.

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8. Section C, Need Item 3

Please provide a map of the entire state of Tennessee designating the applicant's declared service area counties. Please provide distinctive highlighting/ markings which permit the Agency members to readily differentiate the counties under discussion as opposed to other non- service area counties.

Response: A copy of the requested map is attached as Attachment.Supplemental.8.

9. Section C, Need Item 4.A

Your response to this item is noted. Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for each county in your proposed service area.

<i>Variable</i>	<i>Hamilton</i>	<i>Rhea</i>	<i>McMinn</i>	<i>Bradley</i>	<i>Service Area</i>	<i>Tennessee</i>
<i>Current Year (CY), Age 65+</i>	51,078	5,360	8,990	14,945	80,373	904,581
<i>Projected Year (PY), Age 65+</i>	61,925	6,576	10,399	17,781	96,681	1,107,911
<i>Age 65+, % Change</i>	21.2%	22.7%	15.7%	19.0%	20.3%	22.5%
<i>Age 65+, % Total (PY)</i>	18.9%	19.5%	17.9%	16.8%	18.4%	16.3%
<i>CY, Total Population</i>	319,626	32,061	55,159	99,925	506,771	6,414,201
<i>PY, Total Population</i>	327,046	33,692	58,022	106,039	524,799	6,785,111
<i>Total Pop. % Change</i>	2.3%	5.1%	5.2%	6.1%	3.6%	5.8%
<i>TennCare Enrollees</i>	55,258	7,841	10,462	18,565	92,126	1,206,511
<i>TennCare Enrollees as a % of Total Population</i>	17.3%	24.5%	19.0%	18.6%	18.2%	18.8%
<i>Median Age</i>	39.3	39.8	41.6	38.2	Not Available	38.0
<i>Median Household Income</i>	\$45,408	\$36,761	\$37,146	\$40,032	Not Available	\$43,311
<i>Population % Below Poverty Level</i>	14.7%	19.1%	17.3%	16.0%	Not Available	16.5%

The applicant indicates 25% of patients will come from other counties. Please indicate those counties and the percentage for each.

Response: The applicant projects that approximately 15% of its patient population will come from other counties in Tennessee, mainly Sequatchie, Polk and Marion counties. The remaining 10% of the patients will come from north Georgia, mainly Whitfield and Catoosa Counties.

10. Section C, Need Item 4.B

11. Section C, Need Item 5 (Utilization of Existing ASTC providers of Pain Management Services within the Service Area.

Your response is noted. Please provide the information in the tables in cases rather than procedures for the latest three TDH JAR reporting years. Please do not include any years of JAR data that is considered provisional. Also, in your table please indicate if the listed ASTCs are single-specialty or multi-specialty.

Response: The updated tables are set forth below:

2012 Data

State ID	Facility Name	County	Specialty	O.R. Rooms	Procedure Rooms	Total Cases	Cases per Room	P.M. Cases	% P.M.
06613	Novamed Surgery Center of Cleveland, LLC	Bradley	Multi	2	1	4,856	1,619	145	3.0%
33700	Associates of Memorial/Memorial Mission Outpatient Surgery Center, LLC	Hamilton	Multi	4	3	11,740	1,677	590	5.0%
33636	Physicians Surgery Center of Chattanooga	Hamilton	Multi	4	2	3,317	553	26	0.8%
33685	Plaza Surgery, G.P.	Hamilton	Multi	4	4	3,855	482	92	2.4%
33281	Surgery Center of Chattanooga	Hamilton	Multi	5	2	4,265	609	1,945	45.6%
33741	Chattanooga Pain Surgery Center	Hamilton	NR	NR	NR	NR	NR	NR	NR
54695	The Surgery Center of Athens, LLC	McMinn	Multi	2	1	2,681	894	12	0.4%
	Totals			21	13	30,714	903	2810	9.1%

2011 Data

State	Facility Name	County	Specialty	O.R. Rooms	Procedure Rooms	Total Cases	Cases per Room	P.M. Cases	% P.M.
06613	Novamed Surgery Center of Cleveland, LLC	Bradley	Multi	2	1	4,252	1,417	142	3.3%
33700	Associates of Memorial/Memorial Mission Outpatient Surgery Center, LLC	Hamilton	Multi	4	3	10,960	1,566	413	3.8%
33636	Physicians Surgery Center of Chattanooga	Hamilton	Multi	4	2	4,038	673	79	2.0%
33685	Plaza Surgery, G.P.	Hamilton	Multi	4	4	5,699	712	468	8.2%
33281	Surgery Center of Chattanooga	Hamilton	Multi	5	2	4,163	595	1,646	39.5%
33741	Chattanooga Pain Surgery Center	Hamilton	Single	1	2	3,239	1,080	3,239	100%
54695	The Surgery Center of Athens, LLC	McMinn	Multi	2	1	3,249	1083	0	0%
	Totals			22	15	35,600	962	5,987	16.8%

2010 Data

State ID	Facility Name	County	Specialty	O.R. Rooms	Procedure Rooms	Total Cases	Cases per Room	P.M. Cases	% P.M.
06613	Novamed Surgery Center of Cleveland, LLC	Bradley	Multi	2	1	4,280	1,427	192	4.5%
33700	Associates of Memorial/Memorial Mission Outpatient Surgery Center, LLC	Hamilton	Multi	4	3	10,316	1,474	0	0%
33636	Physicians Surgery Center of Chattanooga	Hamilton	Multi	4	2	5,113	852	124	2.4%
33685	Plaza Surgery, G.P.	Hamilton	Multi	4	4	5,855	732	498	8.5%
33281	Surgery Center of Chattanooga	Hamilton	Multi	5	2	3,159	451	1,188	37.6%
33741	Chattanooga Pain Surgery Center	Hamilton	Single	1	2	5,653	1,884	5,653	100%
54695	The Surgery Center of Athens, LLC	McMinn	Multi	2	1	3,795	1,265	0	0%
	Totals			22	15	38,171	1,032	7,655	20.0%

12. Section C, Need Item 6

A letter of support from Apple Physical Medicine and Wellness is noted stating the proposed ASTC will focus on providing spine focused pain management services. Apple Medicine and Rehabilitation states patients are currently routinely referred to the applicant's medical practice. Please clarify what type of chiropractic pain procedures are or will be conducted at the proposed ASTC.

Response: No chiropractic services are performed in the Chattanooga ASTC. However, Apple Physical Medicine and Wellness refers its patients to CSPM for medical evaluations and various pain management procedures such as joint injections, nerve blocks and epidurals.

What percentage of patient referrals does the applicant expect from hospitals, rehab facilities, primary care providers and physical therapists?

Response: The applicant projects the following referral sources:

<u>Provider:</u>	<u>Referral Percentages:</u>
Hospitals	5%
Rehabilitative Facilities	5%
Primary Care Providers	40%
Spine/Neurosurgeons	30%
Chiropractors	10%
Physical Therapists	10%

Please explain the reason the ASTC projects 250 cases in the first quarter of Year One increasing only 10% by the end of the fourth quarter in Year Two to 275 cases.

Response: In light of the new definition of "cases" rather than "procedures", the applicant now projects the following quarterly utilization of the Chattanooga ASTC during the first two years of operation:

<u>Quarter</u>	<u>Year 1</u>	<u>Year 2</u>
Q1	120	130
Q2	125	135
Q3	125	140
Q4	130	145

These new projections reflect a gradual ramp-up of the case volume as the medical practice and ASTC become more established in the community.

Please complete the following table for Year 2 of the proposed project

Operating Rooms	Procedures	Procedures/ Room	Minutes Used	Average Turnaround Time	Schedulable minutes*	% of Schedulable Time Used
Operating Room #1	550 (cases)	550 (cases)	20	5	24,000 (based on operating one 8-hour day per week)	45.8%
Operating Room #2	N/A					
Etc.						
Total Surgical Suite	550	550	20	5	24,000	45.8%

* defined as the summation of the minutes by each room available for scheduled cases

Example: 7:30 AM to 4:30 PM, 5 days per week, 50 weeks/ year, equates to 9 hrs/day X 60 min/hr = 540 minutes/day X 5 days/week = 2,700 minutes / week X 50 weeks/year=135,000 schedulable minutes/room X the number of rooms=surgical suite schedulable capacity

13. Section C. Economic Feasibility 1 (Project Cost Chart)

Please provide documentation from a licensed architect or construction professional:

- 1) a general description of the project,
- 2) his/her estimate of the cost to construct the project to provide a physical environment, according to applicable federal, state and local construction codes, standards, specifications, and requirements and
- 3) attesting that the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the new 2010 AIA Guidelines for Design and Construction of Hospital and Health Care Facilities.

Response: A letter from the architect is attached as Attachment.Supplemental.13.

The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Please indicate the fair market value of the property as it relates to the proposed project.

Please clarify if the facility and parking area will be ADA (American with Disabilities Compliant).

Response: Both the facility and the parking area is ADA compliant.

Response: The fair market value of Unit C at the time of its purchase was \$890,000. This covers the entire 4,950 square footage of which the Chattanooga ASTC occupies approximately 25.7% of this total area. This would result in \$228,730 of the overall property value being attributed to the ASTC.

14. Section C. Economic Feasibility 2 (Funding)

The letter from Regions Bank is noted. Please indicate the expected interest rate, term and any restrictions or conditions.

Response: The loan from Regions Bank was financed over a five year term ending on February 15, 2012 with annual interest at the rate of 3.95%.

15. Section C. Economic Feasibility Item 4 (Historical Data Chart and Projected Data Chart)

The HSDA is utilizing more detailed Historical and Projected Data Charts. Please complete the revised information Historical and Projected Data Charts provided at the end of this requests for supplemental information. Please note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should also include any management fees paid by agreement to third party entities not having common ownership with the applicant. Management fees should not include expense allocations for support services, e.g., finance, human resources, information technology, legal, managed care, planning marketing, quality assurance, etc. that have been consolidated/centralized for the subsidiaries of a parent company.

Response: The updated charts have been completed and attached as Attachment.Supplemental.15. Note the following:

- There is no historical data given that this will be a new licensed entity and thus the Historical Data Chart has not been completed.
- Other than an allocation of support services, which is reflected on the Project Costs Chart, there will be no management arrangement between the applicant and an affiliated or unaffiliated management company. As such, there are no Management Fees to record on the Projected Data Chart.

Please provide a corrected Projected Data Chart which shows the Revenue, Expense and Capital Expenditure Categories for the various financial category lines of the requested Projected Data Chart.

Response: A corrected, Projected Data Chart is attached as Attachment.Supplemental.15.

The applicant expects to enter into personnel services agreement with CSPM for nursing and administrative staff. The amount of the agreement could not be located

on the projected data chart. Please indicate the amount of the agreement and provide a revised projected data chart, if needed.

Response: The projected amount of this agreement is \$21,216 per year, which amount reflects a pass-through of the total costs associated with each employee leased to the applicant for one days' worth of services per week. This amount is reflected under the "Salaries and Wages" category on the updated Projected Data Chart.

16. Section C. Economic Feasibility, Item 6B

Please indicate the top 10 projected CPT reimbursed procedures for this proposed project.

CPT Code	Brief Description	Amount
64483	Trans Lumbar	\$3266
64493	Facet Lumbar	\$3266
62310	Cervical Epidural	\$3266
64635	Lumbar RFL	\$5680
62311	Lumbar Epidural	\$3266
27093	Hip Inj.	\$2840
27096	SI Joint	\$2840
64490	Cervical Facet	\$3266
64633	Cervical RFL	\$5680

17. Section C. Economic Feasibility 9

The applicant has designated \$45,000 in Charity Care in Year One and \$45,000 in Year Two in the Projected Data Charts. Please indicate the percentage and the extent the proposed project will serve the medically indigent.

Response: The applicant projects that approximately 1-2% of its patient population qualifies for charity care. In addition to serving the medically indigent, the applicant will also service a sizeable TennCare population as its projects at least 20% of its patient population to be covered under TennCare. This projection is based on the current patient population of the CSPM medical practice which services 20% TennCare patients.

2013 JUN 28 AM 9 29

June 28, 2013

9:31 am

18. Section C. Economic Feasibility 10

The applicant has provided a balance sheet in the attachment for the Center for Spine and Pain Medicine P.C. Does this balance sheet include financial information for both the Tennessee and Georgia locations? Please provide the Accountant's Compilation Report and referred to on the bottom of the balance sheet and Profit and Loss Statement.

Response: The attached balance sheet includes financial information for both the Tennessee and Georgia locations of CSPM. A copy of the requested Accountant's Compilation Report is attached as Attachment.Supplemental.18.

The provided Balance Sheet is noted. Please clarify the following:

- The current asset titled "Loan to Dr. Sohani" in the amount of \$545,310.

Response: This entry relates to a 2011 loan from Dr. Sohani to the practice and is unrelated to the Chattanooga location. The balance will be paid off by Dr. Sohani at the end of 2013.

- The Federal Income Tax Payable in the negative amount of (-\$298,683).

Response: The Federal Income Tax Payable liability account is used to post any payments made to the IRS for income taxes. The taxes are paid each quarter as estimates. The accounts reflects a negative balance until the books are closed for that year; which is done once CSPM has filed the return for that year. The 2012 tax return has been granted a six month extension by the IRS and is now due by September 15, 2013. CSPM will file the tax return by that date.

- The Shareholder Distributions in the amount of (-\$1,437,740).

Response: The Shareholder Distribution account represents the amount that was paid by CSPM to the sole shareholder, Dr. Sohani. The total amount can be divided into two segments: (i) the first \$1,000,000 is attributable to 2011 distributions and (ii) the remaining \$437,740 is attributable to 2012. This account will be closed out to the retained earnings account along with other closing entries for 2012. These entries will be posted of CSPM's books once the tax return is filed for 2012.

Please clarify "management fees" on the profit and loss statement in the amount of \$400,000. In addition, please clarify the following items:

Response: The management fee represents the cost for business administration and other support services for CSPM, including fees for property management, human resources support, vendor contract reviews and for investment advice.

- Refunds in the negative amount of (-\$38,177_.

Response: This account represents amounts attributed to overpayments or leftover credits in patient billing accounts. Checks for these amounts are issued to individual patients or third party payors, as appropriate.

- The Safe Harbour Contribution in the amount of \$22,083.

Response: This account represents the corporate expense for employee retirement plan payments made payable to HARTFORD.

- Charitable contributions in the amount of \$250,050.

Response: This contribution represents a cash contribution to Soul Charitable Foundation, a domestic tax-exempt nonprofit organization registered and approved under the Internal Revenue Code.

19. Section C. Orderly Development, Item 3

The applicant states nursing and administrative staff will be supplied by agreement by CSPM. Please report the anticipated staffing patterns for all patient care staff using FTEs for these positions. In addition, please compare the clinical salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor and Workforce Development and/or other documented sources.

Response: In addition to the surgical technologist referenced in the original application, the applicant anticipates leasing the following employees from CSPM to staff the ASTC:

<u>Position</u>	<u>FTE</u>	<u>Salary</u>	<u>TDOLWD Wages*</u>
Registered Nurse	0.2	\$27/hr	\$26.10/hr
Medical Assistants	0.4	\$11-14/hr	\$12.55/hr
Receptionist	0.2	\$12/hr	\$11.60/hr

*Median wages as published in 2012 Tennessee Occupational Wages Report for Chattanooga, TN-GA MSA, Tennessee

20. Section C. Orderly Development , Item 4

Please document the availability of an anesthesiologist for the proposed project and the anesthesiologist (s) acceptance of the Medicare and TennCare plans that the applicant accepts.

Response: Since none of the cases require General Anesthesia or heavy sedation, there is no need for an additional Anesthesiologist. Dr. Sohani is a licensed anesthesiologist and ACLS Certified and will be available to provide mild IV sedation services if required by the applicant. He accepts both Medicare and all TennCare MCOs listed in the Service Area.

21. Section C. Orderly Development , Item 7 (d)

Please provide a copy of the last licensure survey for the applicant's licensed Georgia ASTC location.

Response: A copy of the requested licensure survey is attached as Attachment.Supplemental.21.

22. Section C. Orderly Development , Item 8 and item 9

Please respond to these two questions.

Response: Neither the applicant nor Dr. Sohani has been subject to any final orders or judgment in any state or county by a licensing agency or court against professional licenses held by the applicant or Dr. Sohani.

Dr. Sohani, who is 100% owner of the applicant, has not received any final civil or criminal judgments for fraud or theft.

ATTACHMENT.SUPPLEMENTAL.13 – LETTER FROM ARCHITECT

See Attached Next Page

June 28, 2013

9:31 am



Architecture ■ Engineering

June 25, 2013

Melanie M. Hill, Executive Director

Health Services and Development Agency
 The Frost Building, Third Floor
 161 Rosa L. Parks Boulevard
 Nashville, Tennessee 37243

Re: CSPM Surgery Center, LLC

Dear Ms. Hill:

I was the architect of record on the 2012 renovation of a single-specialty ambulatory surgical treatment center (ASTC) at 7446 Shallowford Road, Suite 102, Chattanooga, TN 37421 for use in connection with the medical practice of Center for Spine & Pain Medicine, P.C. The ASTC contains one procedure room, two pre-operative stations, one post-operative station and nursing station with line of sight supervision of all three stations. In addition, the ASTC has its own entrance, reception and waiting areas.

The cost to build out the ASTC was \$229,600.

The ASTC was constructed to comply with the following applicable building codes as required by the Tennessee Division of Health Care Facilities:

- 2006 International Building Code
- 2006 International Plumbing Code
- 2006 International Mechanical Code
- 2006 International Gas Code
- 2006 NFPA 1, excluding NFPA 5000
- 2006 NFPA 101 Life Safety Code
- 2005 National Electrical Code
- 2002 North Carolina Accessibility Code with 2004 Amendments
- 2010 American with Disabilities Act (ADA)
- 2010 AIA Guidelines for Design and Construction of Health Care Facilities
- 2007 ASHRAE Handbook of Fundamentals

In addition to these codes, the facility was also constructed to comply with the Department of Health Regulations Minimum Standards for Ambulatory Surgical Treatment Centers, 1200-08-10.

LAW OFFICES
GKH
GRANT KONVALINKA & HARRISON, P.C.

OCT 11 '13 AM 5:50

Ninth Floor, Republic Centre
633 Chestnut Street
Chattanooga, Tennessee 37450-0900

Telephone 423/756-8400
Facsimile 423/756-6518
www.gkhpc.com

October 10, 2013

BY FEDERAL EXPRESS

Ms. Melanie Hill, Executive Director
State of Tennessee
Health Services and Development Agency
Frost Building, Third Floor
161 Rosa L. Parks Blvd.
Nashville, Tennessee 37243

Re: CSPM Surgery Center
Certificate of Need No. CN 1306-021

Dear Ms. Hill:

This firm represents Chattanooga Pain Surgery Center in connection with opposing the certificate of need application filed on behalf of CPM Surgery Center, LLC (the "Applicant") for the establishment of an ambulatory surgical treatment center (ASTC) at the site of a current medical practice on Shallowford Road in Chattanooga, Hamilton County, Tennessee. As the application itself demonstrates, no need exists for an additional ASTC in Hamilton County or in the surrounding Tennessee counties which comprise the Applicant's proposed primary service area. Further, the establishment of an additional ASTC would result in unnecessary duplication of services which is contrary to the orderly development of health care in Southeast Tennessee.

Existing facilities in the Applicant's service area have abundant excess capacity to handle the modest number of procedures predicted in the application. All of the six general ASTCs have available space and time for additional procedures. Additionally, the Chattanooga Pain Surgery Center, which provides one operating room and two procedure rooms, is open five days per week and has rooms available for procedures most Tuesday and Thursday mornings and virtually every afternoon. In fact, Chattanooga Pain Surgery Center has offered Dr. Sohani, the Applicant's owner, medical staff privileges, but Dr. Sohani has never returned his credentialing application.

As noted in the application, pain management procedures generally take less time than the procedures contemplated by the Guidelines in the State Health Plan. Chattanooga Pain Surgery Center agrees that most pain management procedures can be performed in 15 to 20 minutes, or even less, and that 25 procedures per day is a conservative estimate for a procedure room's capacity. As noted in the application, the Applicant predicts that it will perform 450 cases in 2013, 500 in 2014, and 550 in 2015. Given the Applicant's estimate of cases per day,

the capacity for even one day per week operations at the proposed surgery center would be 1,250 cases. The fact that the Applicant is projecting only 550 cases, or 44% of the procedure room's one-day per week capacity through 2015 demonstrates that the additional ASTC in the service area is unnecessary.¹

The Center for Spine and Pain Medicine, P.C. ("CSPM") currently operates a full time pain management medical practice in Dalton, Georgia and a part time practice in Chattanooga. CSPM also operates an ASTC in Dalton two days per week. As the Applicant notes in its application, CSPM currently performs approximately 450 cases per year following the physician in-office surgery guidelines of the Tennessee Board of Medical Examiners. The application proposes the following in the initial year of operation of the ASTC:

1. 450 cases;
2. Performing the same procedures the Applicant currently performs;
3. Using local or mild anesthesia only (Level I or II office based surgery);
4. Performing procedures at 7446 Shallowford Road, Suite 102, Chattanooga, Tennessee;
5. Using no additional personnel;
6. Performing cases one day per week.

The Applicant will therefore perform the same type and number of cases, on the same schedule, with the same personnel and in the same location as the Applicant currently performs. No changes in the Applicant's operations are proposed. Rather, the only difference if this application were granted would be to require the Applicant to become licensed as an ASTC and entitle the Applicant to receive considerably more revenue. A physician who performs procedures in his office generally receives a higher level of reimbursement as his professional fee than when he performs the same procedure in a hospital or ASTC. However, the facility receives a separate fee for most, if not all, procedures. That facility fee combined with the professional fee is considerably greater than the physician's in-office professional fee alone. Accordingly, the only logical reason that the Applicant is applying for a certificate of need is to capture the additional revenue available by way of facility fees for procedures performed at what is now a medical office. This additional drain from governmental and private payors detracts from, rather than contributes to, the orderly development of health care.

Although the Applicant proposes treating only the Applicant's patients, that fact does not relieve the Applicant from its burden of demonstrating need, economic feasibility and contribution to the orderly development of health care in Tennessee. Here, the Applicant establishes that no need exists for an additional ASTC in the proposed service area. Additionally, allowing the medical practice to establish an ASTC would simply drain health care resources with no corresponding benefit to patients. As such, approval of the application

¹ Although Supplement 1 of the application contains five day projections, given the low utilization for one day projections, the five day projections seem meaningless.

Ms. Melanie Hill, Executive Director
October 10, 2013
Page 3

CSPM Surgery Center
Certificate of Need No. CN 1306-021

would detract from the orderly development of health care. Chattanooga Pain Surgery Center therefore requests that you deny CSPM Surgery Center's application for a certificate of need. Thank you for your consideration.

Respectfully submitted,



J. Scott McDearman

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Rett Blake, III, M.D.
Thomas P. Miller, M.D.
Stephen V. Dreskin, M.D.
Gregory Ball M.D.
Douglas S. Griswold, Esq.



2013 JUN 10 PM 12:40
LETTER OF INTENT

TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the **Chattanooga Times Free Press** which is a newspaper of general circulation in **Hamilton**, Tennessee, on or before **June 10**, 20**13** for one day.
(County) (Month / day) (Year)

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

CSPM Surgery Center

(Name of Applicant)

N/A

(Facility Type-Existing)

owned by: **CSPM Surgery Center, LLC** with an ownership type of **limited liability company**

and to be managed by: **itself** intends to file an application for a Certificate of Need for [PROJECT DESCRIPTION BEGINS HERE]:

The establishment of a single-specialty ambulatory surgical treatment center at 7446 Shallowford Rd., Suite 102, Chatt., TN at a cost estimated for CON purposes at \$514,556.63. Use of this facility will be limited to patients of Center for Spine and Pain Medicine, P.C., an established medical practice. The ASTC will provide interventional pain management services and will have one operating room. No major medical equipment or inpatient beds are affected by this project.

The anticipated date of filing the application is: **June 14**, 20**13**

The contact person for this project is **Douglas S. Griswold** **Attorney**

(Contact Name)

(Title)

who may be reached at: **Chambliss Bahner & Stophel P.C.** **605 Chestnut St., Ste. 1700**

(Company Name)

(Address)

Chattanooga

(City)

TN

(State)

37450

(Zip Code)

423-757-0262

(Area Code / Phone Number)


(Signature)

6/7/13
(Date)

dgriswold@cbslawfirm.com
(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

**Health Services and Development Agency
The Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243**

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF HEALTH STATISTICS
615-741-1954**

DATE: August 1, 2013

APPLICANT: Center for Spine and Pain Management, P.C.
d/b/a Center for Spine and Pain Surgery Center
7746 Shallowford Road, Suite 102
Chattanooga, Tennessee

CONTACT PERSON: Douglas S. Griswold, Esquire
Chambliss, Bahner & Stophel, P.C.
605 Chestnut Street, Suite 1700
Chattanooga, TN 37450

COST: \$683,350

CON#: 1306-021

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's Health: State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, CSPM Surgery Center, LLC, located in Chattanooga (Hamilton County), Tennessee, seeks Certificate of Need, (CON) approval for the establishment of a single specialty ambulatory surgery treatment center with one procedure room at 7446 Shallowford Road, Suite 102, Chattanooga, TN. The ASTC will specialize in the provision of interventional pain management, limited to the patients of Center for Spine and Pain Management, P.C. (CSPM), initially for one day per week. CSPM is a private physician practice with offices in Dalton, GA and Chattanooga, TN. No major medical equipment or inpatient beds will be affected by this project.

CSPM currently performs surgical procedures in a distinct surgical suite adjacent to CSPM's medical practice. CSPM, through its affiliate, CSPM Surgery Center, LLC., desires to designate the current "surgical suite", (defined as a procedure room by the applicant), as an ASTC to satisfy certain conditions to enroll as an ASTC with Medicare and to promote a higher standard of care and also to provide certain procedures that can only be performed in a licensed setting.

The facility is located in the Hamilton Office Park, Shallowford Road, one-half mile off I-75 and just behind Hamilton Place Mall. The proposed ASTC will occupy 1276 square feet of office space, and the medical practice occupying another 1681 square feet for a combined total square footage of 2,957 square feet. Renovation of the combined space was completed in February 2012 with a construction cost of \$229,620, and a cost of square footage of \$179.95.

CSPM is wholly owned by Sadiq Sohani, M.D., who is board certified in anesthesiology and pain management.

The total estimated project cost is \$683,350 and will be financed by a commercial loan from Regions Bank for \$736,312, to Dr. Sadiq Sohani and his wife as documented by a letter from the Vice President of Regions Bank, located in Attachment Economic Feasibility 2.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's Health: State Health Plan*.

NEED:

The applicant's service area consists of Bradley, Hamilton, McMinn, and Rhea counties.

The service area population for 2013 projected to 2017 is illustrated below.

Service Area 2013 and 2017 Population Projections

County	2013 Population	2017 Population	% Increase/ (Decrease)
Bradley	102,235	106,448	4.1%
Hamilton	345,447	352,340	2.0%
McMinn	53,004	53,956	1.8%
Rhea	32,966	34,480	4.6%
Total	533,652	547,224	2.5%

Source: *Tennessee Population Projections 2000-2020, February 2010 Revision*, Tennessee Department of Health, Division of Policy, Planning, and Assessment

**Service Area Multi-Specialty ASTC Utilization
Pain Management Procedures, 2011**

Facility	ORs	Procedure Rooms	2011 Procedures	2011 Patients*
Novamed Surgery Center of Cleveland	2	1	206	142
Surgery Center of Chattanooga	5	2	2,893	1,646
Physician's Surgery Center of Chattanooga	4	2	145	79
Plaza Surgery	4	4	700	468
Associates of Memorial-Mission Outpatient Surgery Ctr.	4	3	823	413
Total	19	12	4,767	2748

Source: *Joint Annual Report of Ambulatory Surgical Treatment Centers 2011*, Tennessee Department of Health, Division of Health, Division of Policy, Planning, and Assessment.

*Unduplicated Patients.

Currently there is a only one single specialty ASTC in the applicant's service area providing only pain management services.

Single Specialty Pain Management ASTC's, 2011

Facility	ORs	Procedure Rooms	2011 Procedures	2011 Patients*
Chattanooga Pain Surgery Center	1	2	13,853	3,239

Source: *Joint Annual Report of Ambulatory Surgical Treatment Centers 2011*, Tennessee Department of Health, Division of Health, Division of Policy, Planning, and Assessment.

*Unduplicated Patients.

The above utilization table of facilities in the Chattanooga and surrounding service area counties indicate five multi-specialty facilities that provide pain management procedures and one single specialty facility performing pain management. Of the five multi-specialty facilities performing pain management procedures, a total of 4,767 procedures were performed, while the single specialty facility performed 13,853 procedures according to the 2011 Joint Annual Report of ASTCs (*Final*).

CSPM currently provides surgical procedures at its Chattanooga medical practice. These procedures are provided in a distinct surgical suite located adjacent to the clinical areas of CSPM's medical practice and devoted exclusively to such procedures as defined by the Tennessee Board of Medical Examiner Rules of Office Based Surgery. CSPM now seeks CON approval to designate their surgical suite as an ASTC, in part, to satisfy certain conditions to enrollment as an ASTC with

Medicare, and also to promote the highest standard of safety and care for their patients.

The applicant reports they have begun the process of seeking approval for an ASTC by obtaining accreditation for their surgical suite with Joint Commission. By obtaining status as an ASTC, the applicant wishes to promote patient care through licensing requirements, while satisfying certain conditions with Medicare.

CSPM currently provides surgical services in Chattanooga one day per week on Wednesdays from 9:00am to 4:30pm. This includes the performance of interventional diagnostic and therapeutic spinal procedures. As the medical practice population base grows, the applicant anticipates expanding its operations to additional days of service. Initially, the applicant, Dr. Sohani, will be the only physician performing procedures at CMPS, but as the practice grows, additional physicians may be added.

CSPM projects they will provide 450 pain management cases in year 2013 operating one day per week, eight hours per day. In 2014, the applicant projects 500 cases per year operating at one day per week. To the extent CSPM's medical practice in Chattanooga grows to a point where five days per week of operation is necessary, the applicant projects a potential of 2,250 and 2,500 cases per year, respectively. The applicant projects a 10-15% growth in the number of patients in 2014 and 2015.

This increase is based on increased name recognition in the medical and patient community, increased marketing, and the general trend of patients who receive pain management services in a licensed setting rather than a setting where pain management is not the primary focus.

TENNCARE/MEDICARE ACCESS:

The applicant will contract with all TennCare MCO operating in East Tennessee. The applicant projects the payor mix at the ASTC will be based on the current payor mix at their Chattanooga location. This payor mix includes 42% Commercial, 37% Medicare, 20% TennCare/Medicaid, and 1% Self Pay. The applicant projects 1-2% of their patient population to be charity care.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment has reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine they are mathematically accurate and the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located in the application on page 15. The total estimated project cost is \$683,350.

Historical Data Chart: There is no historical data chart due to this being a new project.

Projected Data Chart: The Projected Data Chart is located in Supplemental 1, page 54. The applicant projects 500 cases in 2014 and 550 cases in 2015 with a net operating income of \$657,506 and \$741,668 each year, respectively.

The applicant's average gross charge in year one projected to be \$3,266 with an average deduction of \$2,351 resulting in an average net charge of \$914.80.

The applicant states there is no alternative to this project other than to continue to operate in the current manner as a physician office

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The applicant intends to have transfer agreements with Erlanger and Memorial Hospitals. Dr. Sohani is currently on staff with Erlanger, Memorial and Parkridge Hospitals.

The applicant is replacing the practice based operating room the CSPM already operates in the surgical suite. As such, there is already existing utilization of the facility that will merely be transitioned from the CSPM and medical practice to the affiliated Chattanooga ASTC and such transitioning will not impose any negative impact on existing providers of ASTC services in the service area.

The applicant's anticipated staffing needs will be medical assistant 0.4 FTE, registered nurse 0.2 FTE, and receptionist 0.2 FTE.

The applicant intends to be licensed as an ASTC by the Tennessee Department of Health, Board of Licensing Healthcare Facilities.

The CSPM procedure room was accredited by the Joint Commission on November 9, 2012.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's Health: State Health Plan*.

AMBULATORY SURGICAL TREATMENT CENTERS

Determination of Need

1. **Need.** The minimum numbers of 884 Cases per Operating Room and 1,867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need. An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1,867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to specific type or types should apply for a Specialty ASTC.

The applicant is seeking CON approval for a single specialty ASTC for a procedure room limited to providing pain management services to only the patients of CSPM. The applicant requesting approval for one procedure room as none of the services to be provided require general anesthesia. The CSPM will operate only one day per week, and may expand to five days as the CSPM medical practices grows. In year one, the applicant projects 500 cases per year and 550 cases in year two, based on one day per week, 50 days per year. These projections are based on the current patient population of the CSPM medical practice and the initial limited operating schedule. The applicant's anticipates they will have the capacity to satisfy the State Health Plan criteria for procedures in the event of a five day operating schedule.

2. **Need and Economic Efficiencies.** An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

The applicant estimated the projected cases for years one and two of the project based on the specific criteria contained here in.

- 3. Need; Economic Efficiencies; Access.** To determine current utilization and need, an applicant should take into account both the availability and utilization of either: all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available) OR, all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

There is only one single specialty ASTC located in the applicants service area providing pain management services; Chattanooga Pain Surgery Center. In addition, there are five multi-specialty ASTCs that provide pain management services.

Single Specialty Pain Management ASTC's, 2011

Facility	ORs	Procedure Rooms	2011 Procedures	2011 Patients*
Chattanooga Pain Surgery Center	1	2	13,853	3,239

Source: *Joint Annual Report of Ambulatory Surgical Treatment Centers 2011*, Tennessee Department of Health, Division of Health, Division of Policy, Planning, and Assessment.

*Unduplicated Patients.

- 4. Need and Economic Efficiencies.** An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

The applicant is replacing the practice based operating room the CSPM already operates in the surgical suite. As such, there is already existing utilization of the facility that will merely be transitioned from the CSPM and medical practice to the affiliated Chattanooga ASTC and such transitioning will not impose any negative impact on existing providers of ASTC services in the service area.

- 5. Need and Economic Efficiencies.** An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

CSPM projects they will provide 450 pain management cases in year 2013 operating one day per week, eight hours per day. In 2014, the applicant projects 500 cases per year operating at one day per week. To the extent CSPM's medical practice in Chattanooga grows to a point where five days per week of operation is necessary, the applicant projects a potential of 2,250 and 2,500 cases per year, respectively. The applicant projects a 10-15% growth in the number of patients in 2014 and 2015.

This increase is based on increased name recognition in the medical and patient community, increased marketing, and the general trend of patients who receive pain management services in a licensed setting rather than a setting where pain management is not the primary focus.

Single Specialty Pain Management ASTC's, 2011

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*Unduplicated Patients.

Other Standards and Criteria

6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

The majority of the population in the service area resides within 30 minutes average driving time to the Chattanooga location, and almost the entire patient population will reside within 60 miles of the facility.

7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available.

The CSPM is located one-half mile off Interstate 75 and within minutes of Hamilton Place Mall. Public transportation is located close by and patient transportation can be accessed through county operated transportation services.

8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The applicant expects 75% of patients will come from the service area, with 15% of patients coming from other Tennessee counties, and another 10% coming from north Georgia.

9. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The applicant projects performing pain management services for 500 and 550 patients in years one and two following approval. The quarterly projections are as follows:

In year one, the applicant projects, Q1-120, Q2-125; Q3-125; and Q4-130, procedures, respectively. In year two, the applicant projects Q1-130, Q2-135, Q3-140, and Q4-145 procedures, respectively.

10. Patient Safety and Quality of Care; Health Care Workforce.

a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

The applicant's procedure room was accredited by the Joint Commission in November, 2012.

b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

Initially, the applicant, Dr. Sohani, will be the only physician performing procedures at CMPS, but as the practice grows, additional physicians may be added.

11. Access to ASTCs. In light of Rule 0720-11.01, this lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration.

Rhea and McMinn counties are designated as medically underserved areas, and Bradley and Hamilton are designated as partially medically underserved areas.

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;

No applicable.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

The applicant will contract with all TennCare MCO operating in East Tennessee. The applicant projects the payor mix at the ASTC will be based on the current payor mix at their Chattanooga location. This payor mix includes 42% Commercial, 37% Medicare, 20% TennCare/Medicaid, and 1% Self Pay. The applicant projects 1-2% of their patient population to be charity care.

d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times? The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

The applicant projects that the large majority of patients will require about 20 minutes total for preparation and procedure time. Some specialized procedures such as RFLs, kyphoplasties, and vertebroplasties will require longer times. The applicant will accommodate such longer procedure times.